

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana

Financial Statements

December 31, 2004 and 2003

(With Independent Auditors' Report Thereon)



KPMG LLP
2400 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204-2452

Independent Auditors' Report

The Board of Directors
Indiana Housing Finance Authority:

We have audited the accompanying statements of net assets of the major funds and business-type activities of the Indiana Housing Finance Authority (Authority), a component unit of the State of Indiana, as of December 31, 2004 and 2003, and the related individual statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of the major funds and business-type activities of the Indiana Housing Finance Authority as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 12, and the schedule of funding progress and employer contributions on page 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005 on our consideration of the Indiana Housing Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

KPMG LLP

Indianapolis, Indiana
March 4, 2005

INDIANA HOUSING FINANCE AUTHORITY
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Management's Discussion and Analysis

December 31, 2004 and 2003

(Unaudited)

This section of the Indiana Housing Finance Authority's (Authority) annual financial report presents management's discussion and analysis of financial position and the results of operations during the fiscal years ended December 31, 2004 and 2003. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*. This analysis should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

Introduction – The Indiana Housing Finance Authority

The Indiana Housing Finance Authority (Authority) was created in 1978 as a public body corporate and politic of the State. The Authority is entirely self-supporting and does not draw upon the general taxing authority of the State. The Authority has been given certain powers including the power to enter into contracts and agreements, acquire, hold and convey property and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate income. The Authority funding comes from a variety of sources; including sales of its own securities to private investors; grants from Federal governments; program fees; investment interest earnings and interest earned on loan portfolios.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purpose. The financial transactions of the Authority are recorded in the funds that consist of a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses as appropriate. The Authority is a self-supporting entity and follows enterprise fund reporting. The Authority is considered a component unit of the State of Indiana (State) and is discretely presented in the State's financial statements.

This discussion and analysis is designed to assist the reader in focusing on significant financial issues and activities and to identify any significant changes in financial position of the Indiana Housing Finance Authority (Authority). Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole, which follow this section.

Financial Statements

The basic financial statements include three required statements, which provide different views of the Authority. They are the *Statement of Net Assets*, the *Statement of Revenues, Expenses, and Changes in Net Assets* and the *Statement of Cash Flows*. These statements provide current and long-term information about the Authority and its activities.

The *Statements of Net Assets* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgages and

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loans, externally funded programs and other revenue sources. This statement also helps answer the question "Is the Authority as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows* is to provide information about the Authority's cash receipts and cash payments during the accounting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. It provides answers to such questions as "Where did the cash come from?"; "What was the cash used for?"; and "What was the change in cash balance during the reporting period?"

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

2004 Financial Highlights

The assets of the Authority exceeded its liabilities at December 31, 2004 by \$188.9 million compared to \$190.4 million at December 31, 2003. Net assets at December 31, 2004 consist of \$123.8 million restricted by bond indentures, \$3.9 million restricted by funding sources, and \$61.0 million that is unrestricted and available to meet the obligations of the Authority's operations.

Total assets increased by \$3.6 million or .3 percent during 2004 from \$1,187 million to \$1,190 million due mainly to an increase in cash and investments. In 2003, the Authority elected to use \$3.5 million in unrestricted funds to supplement the down payment assistance program. A similar supplement to the program was not made in 2004.

The Authority's largest liability, total bonds payable, increased by \$7.8 million or 1 percent during 2004 from \$939.4 million to \$947.2 million.

The total change in net assets in 2004 was a decrease of \$1.5 million consisting of operating loss of \$4.2 million (which includes a net decrease in the fair value of investments of \$7.3 million) and total non-operating income of \$2.7 million.

In 2004, total operating revenues were \$200.4 million that includes interest income on mortgage loans of \$42.1 million, federal program income of \$142.3 million, interest income on investments of \$9.2 million, a net decrease in the fair value of securities of \$7.3 million, \$12.4 million in fee income and \$1.7 million of other income.

Total operating expenses in 2004 were \$204.5 million that includes \$46.9 million of interest expense on bonds, \$142.3 million of direct federal program expenses, \$11.3 million of general and administrative expense, \$3.1 million of amortization of debt issuance costs and \$.9 million of other expenses.

2003 Financial Highlights

The assets of the Authority exceeded its liabilities at December 31, 2003 by \$190.4 million compared to \$199.0 million at December 31, 2002. Net assets at December 31, 2003 consist of \$130.2 million restricted by bond indentures, \$3.4 million restricted by funding sources, and \$56.7 million that is unrestricted and available to meet the obligations of the Authority's operations.

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Total assets decreased by \$12.8 million or 1 percent during 2003 from \$1,199 million to \$1,187 million due mainly to the decrease of \$116.6 million in the mortgage loan portfolio which includes new loans funded with current year bond proceeds offset by loan repayments and a \$104 million increase in non-mortgage investments resulting from the investment of proceeds from bond issuances and line of credit.

The Authority's largest liability, total bonds payable, decreased by \$58.1 million or 6 percent during 2003 from \$997.5 million to \$939.4 million.

The total change in net assets in 2003 was a decrease of \$8.6 million consisting of operating loss of \$7.6 million (which includes a net decrease in the fair value of investments of \$13.4 million) and total non-operating loss of \$1.0 million.

In 2003, total operating revenues were \$198.5 million that includes interest income on mortgage loans of \$46.9 million, federal program income of \$140.1 million, interest income on investments of \$11.2 million, a net decrease in the fair value of securities of \$13.4 million, \$11.9 million in fee income and \$1.8 million of other income.

Total operating expenses in 2003 were \$206.1 million that includes \$52.0 million of interest expense on bonds, \$140.1 million of direct federal program expenses, \$11.5 million of general and administrative expense, \$1.6 million of amortization of debt issuance costs and \$.9 million of other expenses.

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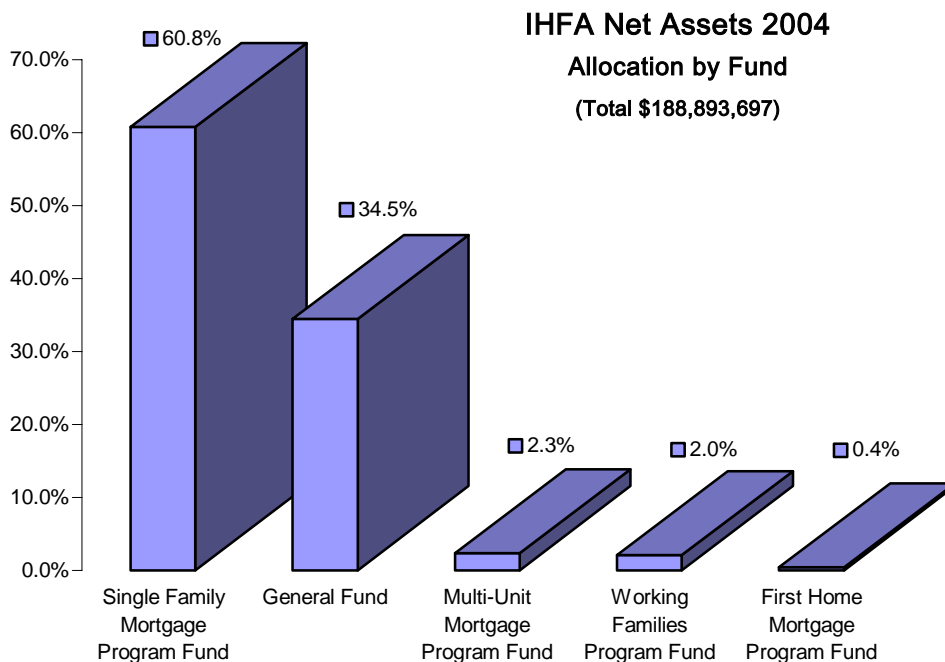
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2004 Financial Condition

The Authority operates within financial policies and guidelines set by the members of the Board of Directors. These guidelines require the Authority to maintain adequate liquid asset levels, good mortgage portfolio performance and a sufficient level of unrestricted net assets. Total net assets as of December 31, 2004 decreased 1% to \$188.9 million from \$190.4 million in the previous year. Unrestricted net assets increased \$4.3 million or 7% from the prior year, comprising 5.1% of total assets and 32.3% of total net assets. Total assets increased \$3.6 million or .3% from the prior year.



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2003 Financial Condition

Total net assets as of December 31, 2003 decreased 4% to \$190.4 million from \$199.0 million in the previous year. Unrestricted net assets increased \$.2 million or .04% from the prior year, comprising 4.8% of total assets and 29.8% of total net assets. Total assets decreased \$12.8 million or 1.1% from the prior year.

2004 Financial Analysis

The following table is a condensed summary of net assets at December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percentage</u>
Assets				
Current assets	\$ 60,998	55,913	5,085	9.1%
Noncurrent assets	<u>1,129,150</u>	<u>1,130,644</u>	<u>(1,494)</u>	-0.1%
Total assets	<u>1,190,148</u>	<u>1,186,557</u>	<u>3,591</u>	0.3%
Liabilities				
Current liabilities	66,997	68,375	(1,378)	-2.0%
Noncurrent liabilities	<u>934,257</u>	<u>927,793</u>	<u>6,464</u>	0.7%
Total liabilities	<u>1,001,254</u>	<u>996,168</u>	<u>5,086</u>	0.5%
Net assets				
Restricted	127,902	133,648	(5,746)	-4.3%
Unrestricted	<u>60,992</u>	<u>56,741</u>	<u>4,251</u>	7.5%
Total net assets	<u><u>\$ 188,894</u></u>	<u><u>190,389</u></u>	<u><u>(1,495)</u></u>	-0.8%

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Operating Analysis

The following table is a condensed summary of operating income for the years ended December 31, 2004 and 2003 (in thousands):

	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>Percentage</u>
Operating revenues				
Interest on loans	\$ 42,083	46,919	(4,836)	-10.3%
Interest on investments	9,179	11,246	(2,067)	-18.4%
Program revenues	154,954	152,255	2,699	1.8%
Net increase (decrease) in fair value of investments	(7,320)	(13,443)	6,123	-45.5%
Other operating revenue	1,459	1,488	(29)	-1.9%
Total operating revenues	<u>200,355</u>	<u>198,465</u>	<u>1,890</u>	1.0%
Operating expenses				
Total interest expense	47,701	52,382	(4,681)	-8.9%
Program expenses	145,511	142,234	3,277	2.3%
Other operating expenses	11,313	11,482	(169)	-1.5%
Total operating expenses	<u>204,525</u>	<u>206,098</u>	<u>(1,573)</u>	-0.8%
Operating income (loss)	<u>\$ (4,170)</u>	<u>(7,633)</u>	<u>3,463</u>	-45.4%

Interest income on mortgage loans, interest income on investments, fee income, and federal grant income represent the significant sources of operating revenue for the Authority.

Interest income on mortgage loans of \$42.1 million for 2004 decreased compared to \$46.9 million for 2003. This decrease is due to a decrease in the interest rates on the outstanding mortgage loans in the Single Family Mortgage Program Fund.

Interest income on investments of \$9.2 million for 2004 decreased compared to \$11.2 million. The decrease is due to a decrease in prepayments on mortgage loans receivable during the current year. The decrease in prepayments resulted in less cash earning interest throughout the current year.

Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the Authority to value its securities at market value with the change in fair value reported as operating revenue. At December 31, 2003, the Authority had net unrealized gains of \$27.4 million. The change in fair value of securities for 2004 was \$(7.3) million compared to \$(13.4) million in 2003. This \$(7.3) million change is an unrealized loss in market value resulting in net unrealized gains at December 31, 2004 of \$20.1 million and has no direct effect on actual cash flows. \$(6.6) million of the change was in the value of held-to-maturity purpose investments of mortgage-backed securities. The other \$(.7) million change was in investments held in the General Fund.

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Fee income of \$12.4 million for the current year increased compared to \$11.9 million in the prior year primarily as a result of increased fees related to increased loan purchases.

Total interest expense on bonds is \$46.9 million in 2004 compared to \$52.0 million in 2003. Decreased interest expense is a result of lower interest rates on total bonds outstanding.

Total general and administrative expense is \$11.3 million compared to \$11.5 million in 2003. The decrease is primarily due to the elimination of the FAF distribution expense as all requirements were met in 2003.

Federal program income and expense represent funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development Section 8 Contract Administration, Community Development Block Grant, HOME Investment Partnership, and other federal programs totaling \$142.3 million in 2004.

2003 Financial Analysis

The following table is a condensed summary of net assets at December 31, 2003 and 2002 (in thousands):

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage</u>
Assets				
Current assets	\$ 55,913	54,488	1,425	2.6%
Noncurrent assets	1,130,644	1,144,905	(14,261)	-1.2%
Total assets	<u>1,186,557</u>	<u>1,199,393</u>	<u>(12,836)</u>	-1.1%
Liabilities				
Current liabilities	68,375	15,926	52,449	329.3%
Noncurrent liabilities	927,793	984,494	(56,701)	-5.8%
Total liabilities	<u>996,168</u>	<u>1,000,420</u>	<u>(4,252)</u>	-0.4%
Net assets				
Restricted	133,648	142,456	(8,808)	-6.2%
Unrestricted	56,741	56,517	224	0.4%
Total net assets	<u>\$ 190,389</u>	<u>198,973</u>	<u>(8,584)</u>	-4.3%

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Operating Analysis

The following table is a condensed summary of operating income for the years ended December 31, 2003 and 2002 (in thousands):

	<u>2003</u>	<u>2002</u>	<u>Change</u>	<u>Percentage</u>
Operating revenues				
Interest on loans	\$ 46,919	53,919	(7,000)	-13.0%
Interest on investments	11,246	11,131	115	1.0%
Program revenues	152,255	140,521	11,734	8.4%
Net increase (decrease) in fair value of investments	(13,443)	34,999	(48,442)	-138.4%
Other operating revenue	1,488	1,329	159	12.0%
Total operating revenues	<u>198,465</u>	<u>241,899</u>	<u>(43,434)</u>	-18.0%
Operating expenses				
Total interest expense	52,382	57,594	(5,212)	-9.0%
Program expenses	142,234	132,833	9,401	7.1%
Other operating expenses	11,482	10,883	599	5.5%
Total operating expenses	<u>206,098</u>	<u>201,310</u>	<u>4,788</u>	2.4%
Operating income (loss)	<u>\$ (7,633)</u>	<u>40,589</u>	<u>(48,222)</u>	-118.8%

Interest income on mortgage loans, interest income on investments, fee income, and federal grant income represent the significant sources of operating revenue for the Authority.

Interest income on mortgage loans of \$46.9 million for 2003 decreased compared to \$53.9 million for 2002. This decrease is due to a decrease in outstanding mortgage loans in the Single Family Mortgage Program Fund.

Interest income on investments of \$11.2 million for 2003 increased compared to \$11.1 million. The increase is due to an increase in investments during the current year.

The change in fair value of securities for 2003 was \$(13.4) million compared to \$35 million in 2002. This represents a decrease in the overall fair value of investments held at December 31, 2003 compared to their fair value at December 31, 2002 due to the current interest rate environment. Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the Authority to value its securities at market value with the change in fair value reported as operating revenue. The change in the fair value of securities is an unrealized loss in market value and has no direct effect on actual cash flows.

Fee income of \$11.9 million for the current year increased compared to \$11.5 million in the prior year primarily as a result of additional fees earned under the Authority's contract with the U.S. Department of Housing and Urban Development to perform certain tasks for Section 8 Contract Administration.

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Total interest expense on bonds is \$52.0 million in 2003 compared to \$57.3 million in 2002. Decreased interest expense is a result of a decrease in total bonds outstanding due to prepayments of \$266.7 million, offset by the issuance in 2003 of five series of mortgage revenue bonds under the Single Family Indenture.

Total general and administrative expense is \$11.5 million compared to \$10.9 million in 2002. The increase is primarily due to additional expense incurred to perform the tasks required for Section 8 Contract Administration.

Federal program income and expense represent funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development Section 8 Contract Administration, Community Development Block Grant, HOME Investment Partnership, and other federal programs totaling \$140.1 million in 2003.

2004 Nonoperating Activities

Interest income on investments for the General Fund is presented as nonoperating activity and totaled \$2.7 million for 2004 compared to interest income on investments of \$2.4 million in this fund in 2003. The increase in income is primarily due to earning interest on line-of-credit proceeds for the entire year in 2004 compared to six months in 2003.

2003 Nonoperating Activities

Interest income on investments for the General Fund is presented as nonoperating activity and totaled \$2.4 million for 2003 compared to interest income on investments of \$2.9 million in this fund in 2002. The decrease in income is primarily due to decreased interest rates consistent with the current interest rate environment. The Authority elected to use unrestricted funds to supplement the down payment assistance program that is represented by nonoperating expense of \$3.5 million.

2004 Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium/(discount), as of December 31, 2004 is \$942.0 million that increased \$5.7 million compared to December 31, 2003. This increase was due to the issuance in 2004 of four series of mortgage revenue bonds under the Single Family Indenture totaling \$294.6 million offset by \$288.9 million of repayments and redemptions of bonds previously issued by the Authority. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch IBCA. More detailed information about the Authority's debt is presented in Note 6 to the financial statements.

The following table summarizes the 2004 mortgage revenue bond issuances:

Single Family Mortgage Revenue Bonds	Tax-exempt amount	Taxable amount	Total	Moody's rating	Fitch rating
2004 Series A	\$ 50,000,000	—	50,000,000	Aaa	AAA
2004 Series B	80,000,000	—	80,000,000	Aaa	AAA
2004 Series C	50,000,000	—	50,000,000	Aaa	AAA
2004 Series D	114,595,000	—	114,595,000	Aaa	AAA
Total	<u>\$ 294,595,000</u>	<u>—</u>	<u>294,595,000</u>		

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2003 Debt Administration

Total current and noncurrent bonds payable, not including any original issue premium/(discount), as of December 31, 2003 is \$936.3 million that decreased \$61.3 million compared to December 31, 2002. This decrease was due to the issuance in 2003 of five series of mortgage revenue bonds under the Single Family Indenture totaling \$291.8 million offset by \$353.1 million of repayments and redemptions of bonds previously issued by the Authority. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch IBCA. More detailed information about the Authority's debt is presented in Note 6 to the financial statements.

The following table summarizes the 2003 mortgage revenue bond issuances:

Single Family Mortgage Revenue Bonds	Tax-exempt amount	Taxable amount	Total	Moody's rating	Fitch rating
2003 Series A	\$ 44,950,000	—	44,950,000	Aaa	AAA
2003 Series B	44,950,000	—	44,950,000	Aaa	AAA
2003 Series C	44,950,000	—	44,950,000	Aaa	AAA
2003 Series D	50,165,000	—	50,165,000	Aaa	AAA
2003 Series E	106,755,000	—	106,755,000	Aaa	AAA
Total	\$ 291,770,000	—	291,770,000		

Economic Factors and Other Financial Information

The primary business activity of the Authority is funding the purchase of single-family home mortgages. The Authority's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on Authority loans and those available in the conventional mortgage markets and the availability of affordable housing. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Authority to continue its mortgage financing activities.

The Authority's single-family programs and investment income are the main sources of revenues. Market interest rates have an effect on both the single family program and investment income revenues. If interest rates continue at current levels, the Authority expects single family and investment income to be stable. If interest rates rise, the Authority expects single family and investment income to increase as new loans are originated and new investments are purchased at the higher rates. If interest rates fall, the Authority expects single family and investment income to decrease as new loans are originated and new investments are purchased at the lower rates. The Authority also expects a drop in market rates to cause an increase in prepayments on higher rate mortgages. The Authority uses these prepayments to call the corresponding series bonds, which lowers the rate of return on those bond series.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Indiana, our constituents and investors with a general overview of the Authority's finances and resources. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Indiana Housing Finance Authority, 30 South Meridian Street, Suite 1000, Indianapolis, IN 46204 or visit our website at www.in.gov/ihfa/.

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Statements of Net Assets
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	2004					2003
Assets	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Current Assets						
Cash and investments	\$ 59,310,448	—	—	—	—	59,310,448
Accrued interest receivable:						
Investments	283,046	—	—	—	—	283,046
Mortgage loans	15,000	—	—	—	—	15,000
Accounts receivable and other assets	1,389,120	—	—	—	—	1,389,120
Total current assets	60,997,614	—	—	—	—	60,997,614
Noncurrent Assets						
Restricted cash and investments	54,097,402	311,103,836	4,399,696	346,404	350,652	370,297,990
Mortgage loans receivable (note 5)	1,660,854	—	—	—	—	1,660,854
Restricted mortgage loans receivable (note 5)	—	717,294,926	11,108,915	4,316,503	10,872,456	743,592,800
Less unamortized commitment fees	(14,954)	(55,525)	(115,865)	—	—	(186,344)
Net mortgage loans receivable	1,645,900	717,239,401	10,993,050	4,316,503	10,872,456	745,067,310
Restricted accrued interest receivable:						
Investments	—	2,110,425	22,282	18,159	—	2,150,866
Mortgage loans	—	3,262,728	10,500	21,010	55,244	3,349,482
Deferred debt issuance costs, net	241,463	7,299,544	14,864	13,685	63,298	7,632,854
Capital assets, at cost, less accumulated depreciation	236,989	—	—	—	—	236,989
Restricted accounts receivable and other assets	378,444	36,224	—	—	—	414,668
Interfund accounts	634,470	(616,208)	(7,070)	(1,550)	(9,642)	—
Total noncurrent assets	57,234,668	1,040,435,950	15,433,322	4,714,211	11,332,008	1,129,150,159
Total assets	\$ 118,232,282	1,040,435,950	15,433,322	4,714,211	11,332,008	1,190,147,773
Liabilities						
Current Liabilities						
Bonds payable (note 6)	\$ —	14,095,000	161,000	120,000	—	14,376,000
Line of credit (note 6)	50,625,000	—	—	—	—	50,625,000
Accrued interest payable	—	423,555	—	—	—	423,555
Accounts payable and other liabilities (note 8)	909,535	—	—	—	—	909,535
Commitment fee deposits	662,698	—	—	—	—	662,698
Total current liabilities	52,197,233	14,518,555	161,000	120,000	—	66,996,788
Noncurrent Liabilities						
Bonds payable (note 6)	—	905,370,000	10,976,000	3,790,000	7,465,000	927,601,000
Less original issue discount	—	(37,737)	(52,954)	—	—	(90,691)
Add original issue premium	—	5,352,333	—	—	—	5,352,333
Net noncurrent bonds payable	—	910,684,596	10,923,046	3,790,000	7,465,000	932,862,642
Other liabilities	954,884	439,762	—	—	—	1,394,646
Total noncurrent liabilities	954,884	911,124,358	10,923,046	3,790,000	7,465,000	934,257,288
Total liabilities	53,152,117	925,642,913	11,084,046	3,910,000	7,465,000	1,001,254,076
Net Assets						
Invested in capital assets	236,989	—	—	—	—	236,989
Restricted by bond indenture	—	114,793,037	4,349,276	804,211	3,867,008	123,813,532
Restricted by funding source	3,850,846	—	—	—	—	3,850,846
Unrestricted	60,992,330	—	—	—	—	60,992,330
Total net assets	\$ 65,080,165	114,793,037	4,349,276	804,211	3,867,008	188,893,697

(Continued)

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana

Statements of Net Assets
December 31, 2004 and 2003

		2003					
			Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	
Assets	General Fund						Total
Current Assets							
Cash and investments	\$ 54,232,130	—	—	—	—	—	54,232,130
Accrued interest receivable:							
Investments	321,202	—	—	—	—	—	321,202
Mortgage loans	20,000	—	—	—	—	—	20,000
Accounts receivable and other assets	1,340,048	—	—	—	—	—	1,340,048
Total current assets	55,913,380	—	—	—	—	—	55,913,380
Noncurrent Assets							
Restricted cash and investments	56,583,184	308,358,366	7,040,611	29,491	343,291		372,354,943
Mortgage loans receivable (note 5)	2,079,320	—	—	—	—		2,079,320
Restricted mortgage loans receivable (note 5)	—	707,232,955	13,710,168	6,037,800	16,157,288		743,138,211
Less unamortized commitment fees	(19,156)	(81,894)	(298,202)	—	—		(399,252)
Net mortgage loans receivable	2,060,164	707,151,061	13,411,966	6,037,800	16,157,288		744,818,279
Restricted accrued interest receivable:							
Investments	—	440,928	22,282	—	—		463,210
Mortgage loans	—	3,382,914	38,600	29,505	83,393		3,534,412
Deferred debt issuance costs, net	270,732	8,406,842	43,010	22,315	140,567		8,883,466
Capital assets, at cost, less accumulated depreciation	91,140	—	—	—	—		91,140
Restricted accounts receivable and other assets	486,832	11,243	—	—	—		498,075
Interfund accounts	638,470	(616,623)	(5,121)	(2,174)	(14,552)		—
Total noncurrent assets	60,130,522	1,027,134,731	20,551,348	6,116,937	16,709,987		1,130,643,525
Total assets	\$ 116,043,902	1,027,134,731	20,551,348	6,116,937	16,709,987		1,186,556,905
Liabilities							
Current Liabilities							
Bonds payable (note 6)	\$ —	12,295,000	301,000	145,000	65,000		12,806,000
Line of credit (note 6)	53,670,000	—	—	—	—		53,670,000
Accrued interest payable	62,714	191,166	—	—	—		253,880
Accounts payable and other liabilities (note 8)	920,874	—	—	—	—		920,874
Commitment fee deposits	723,973	—	—	—	—		723,973
Total current liabilities	55,377,561	12,486,166	301,000	145,000	65,000		68,374,727
Noncurrent Liabilities							
Bonds payable (note 6)	—	889,570,000	16,052,000	5,140,000	12,735,000		923,497,000
Less original issue discount	—	(42,924)	(68,536)	—	—		(111,460)
Add original issue premium	—	3,242,704	—	—	—		3,242,704
Net noncurrent bonds payable	—	892,769,780	15,983,464	5,140,000	12,735,000		926,628,244
Other liabilities	433,974	590,624	—	—	140,430		1,165,028
Total noncurrent liabilities	433,974	893,360,404	15,983,464	5,140,000	12,875,430		927,793,272
Total liabilities	55,811,535	905,846,570	16,284,464	5,285,000	12,940,430		996,167,999
Net Assets							
Invested in capital assets	91,140	—	—	—	—		91,140
Restricted by bond indenture	—	121,288,161	4,266,884	831,937	3,769,557		130,156,539
Restricted by funding source	3,400,016	—	—	—	—		3,400,016
Unrestricted	56,741,211	—	—	—	—		56,741,211
Total net assets	\$ 60,232,367	121,288,161	4,266,884	831,937	3,769,557		190,388,906

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana
Statements of Revenues, Expenses, and Changes in Net Assets
For the years ended December 31, 2004 and 2003

	2004						2003
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total	Total
Operating revenues:							
Interest income on mortgage loans	\$ 207,615	40,426,695	295,911	311,381	841,914	42,083,516	46,918,695
Interest income on investments	—	8,947,272	111,633	27,941	91,714	9,178,560	11,246,460
Commitment fee amortization	4,202	26,369	182,337	—	—	212,908	254,852
Fee income	12,418,722	—	—	—	—	12,418,722	11,865,135
Federal program income	142,322,439	—	—	—	—	142,322,439	140,135,351
Net increase (decrease) in fair value of investments	(706,897)	(6,220,932)	21,675	(78,294)	(335,950)	(7,320,398)	(13,443,048)
Other income	1,427,308	—	31,372	—	—	1,458,680	1,487,497
Total operating revenues	155,673,389	43,179,404	642,928	261,028	597,678	200,354,427	198,464,942
Operating expenses:							
Interest expense on bonds	—	45,486,263	396,668	293,834	759,071	46,935,836	52,024,661
Interest expense on bank loans	765,572	—	—	—	—	765,572	357,770
Amortization of debt issuance costs	29,268	2,976,459	28,147	8,630	77,269	3,119,773	1,572,560
Servicing fees on mortgage loans	6,818	34,421	3,048	—	—	44,287	67,462
Federal program expenses	142,322,439	—	—	—	—	142,322,439	140,135,351
Arbitrage expense	—	37,319	—	—	(64,026)	(26,707)	287,351
Bond call premium	—	—	50,700	—	—	50,700	171,375
General and administrative expenses	9,400,528	1,837,556	22,569	18,083	34,261	11,312,997	11,481,554
Total operating expenses	152,524,625	50,372,018	501,132	320,547	806,575	204,524,897	206,098,084
Operating income (loss)	3,148,764	(7,192,614)	141,796	(59,519)	(208,897)	(4,170,470)	(7,633,142)
Nonoperating revenues (expenses):							
Interest income on investments	2,734,665	—	—	—	—	2,734,665	2,437,156
Other (note 1)	—	—	(59,404)	—	—	(59,404)	(3,388,094)
Total nonoperating revenues (expenses)	2,734,665	—	(59,404)	—	—	2,675,261	(950,938)
Income before transfers	5,883,429	(7,192,614)	82,392	(59,519)	(208,897)	(1,495,209)	(8,584,080)
Transfers	(1,035,631)	697,490	—	31,793	306,348	—	—
Change in net assets	4,847,798	(6,495,124)	82,392	(27,726)	97,451	(1,495,209)	(8,584,080)
Net assets, beginning of year	60,232,367	121,288,161	4,266,884	831,937	3,769,557	190,388,906	198,972,986
Net assets, end of year	\$ 65,080,165	114,793,037	4,349,276	804,211	3,867,008	188,893,697	190,388,906

(Continued)

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana
Statements of Revenues, Expenses, and Changes in Net Assets
For the years ended December 31, 2004 and 2003

	2003					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Operating revenues:						
Interest income on mortgage loans	\$ 245,024	43,879,551	1,081,476	437,154	1,275,490	46,918,695
Interest income on investments	—	10,777,604	137,668	60,964	270,224	11,246,460
Commitment fee amortization	8,808	59,651	186,393	—	—	254,852
Fee income	11,705,582	—	159,553	—	—	11,865,135
Federal program income	140,135,351	—	—	—	—	140,135,351
Net increase (decrease) in fair value of investments	(987,210)	(11,885,332)	(32,420)	(127,782)	(410,304)	(13,443,048)
Other income	1,487,497	—	—	—	—	1,487,497
Total operating revenues	152,595,052	42,831,474	1,532,670	370,336	1,135,410	198,464,942
Operating expenses:						
Interest expense on bonds	—	49,221,356	979,238	460,604	1,363,463	52,024,661
Interest expense on bank loans	357,770	—	—	—	—	357,770
Amortization of debt issuance costs	108,668	1,409,781	3,951	5,111	45,049	1,572,560
Servicing fees on mortgage loans	8,740	46,310	12,412	—	—	67,462
Federal program expenses	140,135,351	—	—	—	—	140,135,351
Arbitrage expense	—	287,351	—	—	—	287,351
Bond call premium	—	—	171,375	—	—	171,375
General and administrative expenses	9,222,239	2,041,331	162,448	11,277	44,259	11,481,554
Total operating expenses	149,832,768	53,006,129	1,329,424	476,992	1,452,771	206,098,084
Operating income (loss)	2,762,284	(10,174,655)	203,246	(106,656)	(317,361)	(7,633,142)
Nonoperating revenues (expenses):						
Interest income on investments	2,437,156	—	—	—	—	2,437,156
Other (note 1)	(3,500,000)	—	111,906	—	—	(3,388,094)
Total nonoperating revenues (expenses)	(1,062,844)	—	111,906	—	—	(950,938)
Income before transfers	1,699,440	(10,174,655)	315,152	(106,656)	(317,361)	(8,584,080)
Transfers	(1,077,775)	770,848	—	187,478	119,449	—
Change in net assets	621,665	(9,403,807)	315,152	80,822	(197,912)	(8,584,080)
Net assets, beginning of year	59,610,702	130,691,968	3,951,732	751,115	3,967,469	198,972,986
Net assets, end of year	\$ 60,232,367	121,288,161	4,266,884	831,937	3,769,557	190,388,906

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana

Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	2004					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Cash flows from operating activities:						
Cash receipts for services	\$ 13,851,550	—	—	—	—	13,851,550
Interest income on mortgage loans	212,615	40,546,881	324,011	319,876	870,063	42,273,446
Principal repayments on mortgage loans	418,466	166,306,071	2,601,253	1,643,004	4,948,883	175,917,677
Interest received on investments	—	7,277,775	111,633	9,782	91,714	7,490,904
Federal revenue	142,322,439	—	—	—	—	142,322,439
Federal expenses	(142,322,439)	—	—	—	—	(142,322,439)
Purchases of mortgage loans	—	(182,139,979)	—	—	—	(182,139,979)
Cash payments to suppliers	(6,396,161)	(2,085,139)	(44,948)	(18,083)	(110,665)	(8,654,996)
Cash payments to employees	(2,442,298)	—	—	—	—	(2,442,298)
Interfund transfers	(1,031,631)	697,075	1,949	31,169	301,438	—
Net cash provided by operating activities	<u>4,612,541</u>	<u>30,602,684</u>	<u>2,993,898</u>	<u>1,985,748</u>	<u>6,101,433</u>	<u>46,296,304</u>
Cash flows from noncapital financing activities:						
Proceeds from bond issues	—	296,830,968	—	—	—	296,830,968
Proceeds from bank loans	(3,045,000)	—	—	—	—	(3,045,000)
Debt issuance costs incurred	—	(1,869,161)	—	—	—	(1,869,161)
Repayments and redemption of bonds	—	(276,995,000)	(5,216,000)	(1,375,000)	(5,335,000)	(288,921,000)
Interest paid on bonds and bank loans	(828,286)	(45,375,025)	(381,086)	(293,834)	(759,071)	(47,637,302)
Contribution from Pedcor	—	—	121,312	—	—	121,312
Payment to Hunter's Run	—	—	(180,715)	—	—	(180,715)
Down Payment Assistance Fund distribution	—	—	—	—	—	—
Trust Fund distribution	—	—	—	—	—	—
Net cash used in noncapital financing activities	<u>(3,873,286)</u>	<u>(27,408,218)</u>	<u>(5,656,489)</u>	<u>(1,668,834)</u>	<u>(6,094,071)</u>	<u>(44,700,898)</u>
Cash flows from capital financing activities:						
Purchases of capital assets	<u>(212,644)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(212,644)</u>
Net cash used in capital financing activities	<u>(212,644)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(212,644)</u>
Cash flows from investing activities:						
Purchases of investments	(79,306,873)	(15,289,689)	(137)	(309,380)	(246,081)	(95,152,160)
Interest received on investments	2,772,821	—	—	—	—	2,772,821
Proceeds from sales or maturities of investments	79,146,971	—	—	—	—	79,146,971
Net cash provided by (used in) investing activities	<u>2,612,919</u>	<u>(15,289,689)</u>	<u>(137)</u>	<u>(309,380)</u>	<u>(246,081)</u>	<u>(13,232,368)</u>
Increase (decrease) in cash and cash equivalents	3,139,530	(12,095,223)	(2,662,728)	7,534	(238,719)	(11,849,606)
Cash and cash equivalents, beginning of year	9,255,841	29,742,312	6,005,616	160	315,643	45,319,572
Cash and cash equivalents, end of year	\$ <u>12,395,371</u>	<u>17,647,089</u>	<u>3,342,888</u>	<u>7,694</u>	<u>76,924</u>	<u>33,469,966</u>

(Continued)

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana

Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	2004					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Reconciliation of cash and cash equivalents:						
Current cash and investments as presented in the statement of net assets	\$ 59,310,448	—	—	—	—	59,310,448
Restricted cash and investments as presented in the statement of net assets	54,097,402	311,103,836	4,399,696	346,404	350,652	370,297,990
Total cash and investments as presented in the statement of net assets	113,407,850	311,103,836	4,399,696	346,404	350,652	429,608,438
Less: investments with maturities greater than three months	101,012,479	293,456,747	1,056,808	338,710	273,728	396,138,472
Cash and cash equivalents as presented in the statement of cash flows	\$ 12,395,371	17,647,089	3,342,888	7,694	76,924	33,469,966
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 3,148,764	(7,192,614)	141,796	(59,519)	(208,897)	(4,170,470)
Adjustments to reconcile operating income to cash provided by operating activities:						
Change in fair value of investments	706,897	6,220,932	(21,675)	78,294	335,950	7,320,398
Interest on bonds and bank loans	765,572	45,607,414	381,086	293,834	759,071	47,806,977
Amortization and write-off of debt issuance costs and discount amortization	29,268	2,855,308	43,726	8,630	77,269	3,014,201
Amortization of nonrefundable fee income	(4,202)	(26,369)	(182,337)	—	—	(212,908)
Depreciation	66,795	—	—	—	—	66,795
Changes in assets and liabilities:						
Commitment fee deposits	(61,275)	—	—	—	—	(61,275)
Purchases of mortgage loans	—	(182,139,979)	—	—	—	(182,139,979)
Principal repayments on mortgage loans	418,466	166,306,071	2,601,253	1,643,004	4,948,883	175,917,677
Accrued interest receivable on loans	5,000	(1,549,311)	28,100	(9,664)	28,149	(1,497,726)
Other assets	59,316	(24,981)	—	—	—	34,335
Accounts payable and other liabilities	509,571	(150,862)	—	—	(140,430)	218,279
Interfund accounts	4,000	(415)	1,949	(624)	(4,910)	—
Interfund transfer	(1,035,631)	697,490	—	31,793	306,348	—
Net cash provided by operating activities	\$ 4,612,541	30,602,684	2,993,898	1,985,748	6,101,433	46,296,304

(Continued)

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana

Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	2003					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Cash flows from operating activities:						
Cash receipts for services	\$ 13,607,242	—	—	—	—	13,607,242
Interest income on mortgage loans	248,024	44,555,016	1,139,908	449,760	1,328,308	47,721,016
Principal repayments on mortgage loans	550,209	224,652,273	9,097,218	2,443,986	9,320,893	246,064,579
Interest received on investments	—	10,943,214	137,668	96,902	270,224	11,448,008
Federal revenue	140,135,351	—	—	—	—	140,135,351
Federal expenses	(140,135,351)	—	—	—	—	(140,135,351)
Purchases of mortgage loans	—	(140,851,179)	—	—	—	(140,851,179)
Cash payments to suppliers	(7,077,757)	(2,120,708)	(315,659)	(11,277)	(44,259)	(9,569,660)
Cash payments to employees	(2,157,407)	—	—	—	—	(2,157,407)
Interfund transfers	(980,475)	686,899	(3,202)	186,550	110,228	—
Net cash provided by operating activities	<u>4,189,836</u>	<u>137,865,515</u>	<u>10,055,933</u>	<u>3,165,921</u>	<u>10,985,394</u>	<u>166,262,599</u>
Cash flows from noncapital financing activities:						
Proceeds from bond issues	—	295,022,979	—	—	—	295,022,979
Proceeds from bank loans	53,670,000	—	—	—	—	53,670,000
Debt issuance costs incurred	—	(2,071,997)	—	—	—	(2,071,997)
Repayments and redemption of bonds	—	(330,755,000)	(7,157,000)	(3,410,000)	(11,780,000)	(353,102,000)
Interest paid on bonds and bank loans	(295,056)	(49,500,815)	(1,056,661)	(460,604)	(1,363,463)	(52,676,599)
Contribution from Pedcor	—	—	111,906	—	—	111,906
Payment to Indiana Affordable Housing	—	—	—	—	—	—
Down Payment Assistance Fund distribution	(3,500,000)	—	—	—	—	(3,500,000)
Trust Fund distribution	—	—	—	—	—	—
Net cash used in noncapital financing activities	<u>49,874,944</u>	<u>(87,304,833)</u>	<u>(8,101,755)</u>	<u>(3,870,604)</u>	<u>(13,143,463)</u>	<u>(62,545,711)</u>
Cash flows from capital financing activities:						
Purchases of capital assets	(76,030)	—	—	—	—	(76,030)
Net cash used in capital financing activities	<u>(76,030)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(76,030)</u>
Cash flows from investing activities:						
Purchases of investments	(95,430,148)	(35,218,671)	—	—	—	(130,648,819)
Interest received on investments	2,490,864	—	—	—	—	2,490,864
Proceeds from sales or maturities of investments	35,918,438	—	571,143	674,924	2,458,918	39,623,423
Net cash provided by (used in) investing activities	<u>(57,020,846)</u>	<u>(35,218,671)</u>	<u>571,143</u>	<u>674,924</u>	<u>2,458,918</u>	<u>(88,534,532)</u>
Increase (decrease) in cash and cash equivalents	(3,032,096)	15,342,011	2,525,321	(29,759)	300,849	15,106,326
Cash and cash equivalents, beginning of year	12,287,937	14,400,301	3,480,295	29,919	14,794	30,213,246
Cash and cash equivalents, end of year	\$ <u>9,255,841</u>	<u>29,742,312</u>	<u>6,005,616</u>	<u>160</u>	<u>315,643</u>	<u>45,319,572</u>

(Continued)

INDIANA HOUSING FINANCE AUTHORITY
A Component Unit of the State of Indiana

Statements of Cash Flows

For the years ended December 31, 2004 and 2003

	2003					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Reconciliation of cash and cash equivalents:						
Current cash and investments as presented in the statement of net assets	\$ 54,232,130	—	—	—	—	54,232,130
Restricted cash and investments as presented in the statement of net assets	56,583,184	308,358,366	7,040,611	29,491	343,291	372,354,943
Total cash and investments as presented in the statement of net assets	110,815,314	308,358,366	7,040,611	29,491	343,291	426,587,073
Less: investments with maturities greater than three months	101,559,473	278,616,054	1,034,995	29,331	27,648	381,267,501
Cash and cash equivalents as presented in the statement of cash flows	\$ 9,255,841	29,742,312	6,005,616	160	315,643	45,319,572
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 2,762,284	(10,174,655)	203,246	(106,656)	(317,361)	(7,633,142)
Adjustments to reconcile operating income to cash provided by operating activities:						
Change in fair value of investments	987,210	11,885,332	32,420	127,782	410,304	13,443,048
Interest on bonds and bank loans	357,770	49,218,356	972,719	460,604	1,363,463	52,372,912
Amortization and write-off of debt issuance costs and discount amortization	108,668	1,412,781	10,470	5,111	45,049	1,582,079
Amortization of nonrefundable fee income	(8,808)	(59,651)	(186,393)	—	—	(254,852)
Depreciation	73,257	—	—	—	—	73,257
Changes in assets and liabilities:						
Commitment fee deposits	314,052	—	—	—	—	314,052
Purchases of mortgage loans	—	(140,851,179)	—	—	—	(140,851,179)
Principal repayments on mortgage loans	550,209	224,652,273	9,097,218	2,443,986	9,320,893	246,064,579
Accrued interest receivable on loans/investments	29,854	841,075	58,432	48,544	52,818	1,030,723
Other assets	(81,234)	65,177	—	—	—	(16,057)
Accounts payable and other liabilities	77,049	189,107	(128,977)	—	—	137,179
Interfund accounts	97,300	(83,949)	(3,202)	(928)	(9,221)	—
Interfund transfer	(1,077,775)	770,848	—	187,478	119,449	—
Net cash provided by operating activities	\$ 4,189,836	137,865,515	10,055,933	3,165,921	10,985,394	166,262,599

See accompanying notes to financial statements.

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A Component Unit of the State of Indiana

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(1) Authorizing Legislation and Funds

The Indiana Housing Finance Authority (the Authority) was created in 1978 by an act of the Indiana Legislature (the Act). The Authority has been given numerous powers under the Act, including the power to enter into contracts and agreements, acquire, hold and convey property and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate incomes.

The powers of the Authority are vested by the Act in seven members who constitute the Board of Directors, four of whom are appointed by the Governor and three of whom serve by virtue of holding other state offices. The three ex-officio members are the Director of Department of Commerce, the Treasurer of State and Director of the Department of Financial Institutions. By statute, the Lieutenant Governor is Director of the Indiana Department of Commerce. The Lieutenant Governor and Treasurer of State hold elective positions, and the Director of the Department of Financial Institutions holds an appointive position at the pleasure of the Governor. The Authority is considered a component unit of the State of Indiana and is discretely presented in the State's Financial Statements as determined by the Indiana State Board of Accounts.

The Act empowers the Authority to (1) make or participate in the making of construction loans and mortgage loans to sponsors of federally assisted multi-family residential housing; (2) purchase or participate in the purchase from mortgage lenders, mortgage loans made to persons of low and moderate income for residential housing; and (3) make loans to mortgage lenders for the purpose of furnishing funds to be used for making mortgage loans to persons and families of low and moderate incomes. The Act authorizes the Authority to issue its bonds and notes to carry out its purposes, and neither the Act nor the Bond Trust Indentures establish any limitation as to the aggregate amount of obligations which the Authority may have outstanding.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purposes under powers granted to it by the Act. The financial transactions of the Authority are recorded in the funds which consist of a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses as appropriate. The Authority's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which financial activity is controlled. Each of the Authority's funds described below are considered major funds.

General Fund

The General Fund was established by the Authority to account for all fee income and charges which are not required to be recorded in other funds and for operating expenses of the Authority. In addition, this fund accounts for the federal grant activity related to various Federal programs administered by the Authority. In 2003, the Authority elected to allocate \$3,500,000 of the General Fund's assets to supplement the down payment assistance program administered by the Fund. In 2004 and 2003, the Authority elected to set aside \$76,007,121 and \$66,450,875, respectively, of its single family bonding authority for the issuance of Mortgage Credit Certificates primarily to first time home buyers.

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Single Family Mortgage Program Fund

The Single Family Mortgage Program Fund provides for the purchase of mortgage loans made to eligible borrowers for owner occupied housing. Borrowers meeting certain income guidelines may qualify under the Authority's First Home Plus Program. This program is facilitated by a Down Payment Assistance Program funded by federal HOME Investment Partnerships Program funds which allows the borrower to receive up to 10% of down payment assistance money. This down payment assistance money is in the form of a non-amortizing second mortgage at a 0% interest rate which is forgivable after five years.

Commencing in June 1980, the Authority entered into mortgage purchase agreements with certain commercial banks, savings and loan associations and mortgage banking companies admitted to do business in the State of Indiana whereby the lenders agreed to originate mortgage loans on newly constructed and existing dwellings meeting criteria established by the Authority and to sell them to the Authority.

Multi-Unit Mortgage Program Fund

This fund, established in 1982 under the Multi-Unit Mortgage Program Resolution, uses bond proceeds to provide construction and long-term financing for certain federally assisted multi-unit housing developments intended for occupancy by families and persons of low and moderate incomes. The Authority has issued four series of Multi-Unit Program Bonds and is the special purpose issuer for two series (see note 6).

The Multi-Family Housing Mortgage Revenue Bonds are limited and special obligations of the Authority payable solely from the payments on the mortgage note, certain other payments under the Building Loan Agreement made by the owner and required debt service reserves of the issue. Neither the Bonds nor the obligation to pay the principal or interest thereon constitutes an indebtedness of the Authority or the State of Indiana.

In August of 1997, the Authority, as a special purpose issuer, issued \$10,000,000 of Multi-Family Housing Mortgage Revenue Bonds (Cumberland Crossing) under a separate closed indenture, which are included in these financial statements as a part of the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds were used to originate a mortgage loan to construct a new multi-family residential rental facility containing 232 apartment units. The expended funds are subject to the terms of a loan agreement dated July 1, 1997, and the bonds are secured by two letters of credit issued by the Federal Home Loan Bank that expire August 21, 2007. Pedcor Investments 1997 XXX LP (Pedcor) is responsible for the bond payments from a source of funds outside of the Authority. During 2004 and 2003, Pedcor contributed \$121,312 and \$111,906, respectively, in order for the full amount of the bond payments to be made.

In April of 1992, the Authority, as a special purpose issuer, issued \$7,230,000 of Multi-Family Housing Mortgage Revenue Bonds (Hunter's Run) under a separate closed indenture, which are included in these financial statements as a part of the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds, after funding the required reserves, were used by the project owner to acquire and rehabilitate an existing multi-family residential rental facility containing 304 apartment units. The expended funds are subject to a mortgage loan amortizable over 40 years commencing October 1, 1993. The permanent mortgage is insured by the Federal Housing Administration pursuant to the provisions of Section 221 (d) (4) of the National Housing Act of 1934. In October 2003, the mortgage note was paid in full. A

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prepayment penalty of \$159,553 was received and is reflected on the Statement of Revenues, Expenses and Changes in Net Assets as fee income. The proceeds were used to pay off the remaining bonds, which resulted in a bond call premium of \$171,375, reflected on the Statement of Revenues, Expenses and Changes in Net Assets as Bond Call Premium.

First Home Mortgage Program Fund

Established in 1994, the First Home Indenture provides for the purchase of low-income mortgage loans which are securitized by the Federal National Mortgage Association (FNMA) which guarantees the timely payment of principal and interest. FNMA is a federally chartered stockholder-owned, privately managed corporation which works to provide liquidity to the residential mortgage market. The FNMA Certificates are collateralized by mortgage loans made to qualified persons and families of low income to finance the acquisition of single family residences in the State of Indiana. This program was facilitated by a Down Payment Assistance Program from federal HOME Investment Partnerships Program funds, which provided a 20% second mortgage at 0% interest. Therefore, the Authority offered 100% financing to all participants in this program. The Authority has issued four series in this Indenture which were privately placed with FNMA.

Working Families Program Fund

Established in December of 1994, this Indenture originally provided for the preservation of bond volume in the short term. A portion of the Convertible Option Bonds (COB) were remarketed into a single family mortgage program within this Indenture. The loans of the program are collateralized by FNMA and GNMA certificates. As a part of the remarketing of the COB, in July 1996, the Authority issued two series within this Indenture. Approximately eighty percent of the bond proceeds are utilized under the same guidelines as the Authority's Single Family Mortgage Program Fund.

The remaining twenty percent of the bond proceeds have been set aside for a special program referred to as the Working Families Program. This program allows for down payment assistance of 10% in addition to the 10% assistance described in the Single Family Mortgage Program Fund. The source of these additional funds is the positive arbitrage earned under the original COB investments and bonds. These arbitrage funds are loaned to the qualified borrower at 0% and are payable to the Authority upon payoff of the first mortgage.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Authority's financial statements have been prepared on the accrual basis of accounting and using the economic resource management focus. Accordingly, the Authority recognizes revenue in the period earned and expenses in the period incurred.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before

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November 30, 1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(b) Investment Securities

The Authority reports its investments securities at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool*, (Statement No. 31). Statement No. 31 requires investment securities, including mortgage-backed securities, to be recorded at fair value and the unrealized gains or losses reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Realized gains or losses were computed as the difference between the proceeds of investment sales and the original cost of the investments sold. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in prior years and the current year. Realized gain in the General Fund amounted to \$104 and \$35,755 for the years ended December 31, 2004 and 2003, respectively.

Following is a summary of the effects of valuing investment securities at fair value on total assets, net assets and change in net assets for 2004 and 2003:

Total Assets				
	2004		2003	
	Fair value	Cost	Fair value	Cost
General Fund	\$ 118,232,282	118,205,941	116,043,902	115,310,560
Single Family Mortgage Program Fund	1,040,435,951	1,021,483,614	1,027,134,731	1,001,961,461
Multi-Unit Mortgage Program Fund	15,433,321	15,194,110	20,551,348	20,333,813
First Home Mortgage Program Fund	4,714,211	4,475,605	6,116,937	5,800,036
Working Families Program Fund	11,332,008	10,752,173	16,709,987	15,794,202
Total	\$ <u>1,190,147,773</u>	<u>1,170,111,443</u>	<u>1,186,556,905</u>	<u>1,159,200,072</u>

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Net Assets				
	2004		2003	
	Fair value	Cost	Fair value	Cost
General Fund	\$ 65,080,165	65,053,824	60,232,367	59,499,025
Single Family Mortgage Program Fund	114,793,037	95,840,700	121,288,161	96,114,891
Multi-Unit Mortgage Program Fund	4,349,276	4,110,065	4,266,884	4,049,349
First Home Mortgage Program Fund	804,211	565,605	831,937	515,036
Working Families Program Fund	3,867,008	3,287,173	3,769,557	2,853,772
Total	\$ 188,893,697	168,857,367	190,388,906	163,032,073

Income Before Transfers				
	2004		2003	
	Fair value	Cost	Fair value	Cost
General Fund	\$ 5,883,429	6,590,430	1,699,440	2,722,405
Single Family Mortgage Program Fund	(7,192,614)	(971,682)	(10,174,655)	1,710,677
Multi-Unit Mortgage Program Fund	82,392	60,717	315,152	347,572
First Home Mortgage Program Fund	(59,519)	18,775	(106,656)	21,126
Working Families Program Fund	(208,897)	127,054	(317,361)	92,943
Total	\$ (1,495,209)	5,825,294	(8,584,080)	4,894,723

(c) Bond Issuance Costs

Bond issuance costs are deferred and amortized over the contractual life of the respective bond issue based on the interest method.

(d) Original Issue Discounts

Original issue discounts on bonds are amortized using the interest method, over the life of the bonds to which they relate.

(e) Original Issue Premiums

Original issue premiums on bonds are accreted using the interest method, over the life of the bonds to which they relate.

(f) Capital Assets

Capital assets consist primarily of office furniture and equipment in the General Fund which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from three to seven years.

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A summary of capital assets (in thousands) being depreciated follows:

	Balance at December 31, 2003	Increases	Decreases	Balance at December 31, 2004
Building improvements	\$ 34	11	—	45
Furniture and equipment	1,523	202	—	1,725
Total accumulated depreciation	(1,466)	(67)	—	(1,533)
Total capital assets being depreciated, net of accumulated depreciation	\$ 91	146	—	237

	Balance at December 31, 2002	Increases	Decreases	Balance at December 31, 2003
Building improvements	\$ 57	34	57	34
Furniture and equipment	1,481	42	—	1,523
Total accumulated depreciation	(1,450)	(73)	(57)	(1,466)
Total capital assets being depreciated, net of accumulated depreciation	\$ 88	3	—	91

(g) Fair Value of Financial Instruments

The fair value of the Authority's financial instruments either approximate fair value or are stated at fair value except for bonds payable. It is not practicable to estimate the fair value of the Authority's bonds payable because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

(h) Operating and Nonoperating Revenues

The Authority records all revenues derived from mortgages and federal programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its statutory purpose. Investment income in the General Fund is recorded as nonoperating revenue while investment income in all other funds is recorded as operating.

(i) Fee Income

Nonrefundable fees received (commitment and buy-down fees) in excess of direct costs associated with originating mortgage loans are deferred and recognized over the life of the mortgage loans. Fees for Mortgage Credit Certificate and Mortgage Revenue Bond Programs are recorded as fee income in the General Fund as certificates are issued. Low Income Housing Tax Credit fees are recognized as applications are submitted. The Authority also receives certain administrative fees for a federal grant program which are recorded as earned.

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(j) *Provision for Possible Loan Losses*

No provision for possible loan losses has been made because the Authority has purchased mortgage pool insurance on its loans, or they are fully insured by the FHA, as described in note 5. The remaining loans have been pooled into FNMA or GNMA mortgage-backed securities which ensures the timely payment of principal and interest on the underlying mortgage loans.

(k) *Bonds, Bank Loans and Interest Payable*

Bond principal, bank loan principal and interest payments due and paid on January 1 of the following fiscal year are considered paid as of December 31.

(l) *Allocation of Expenses Among Funds*

The Single Family, First Home, Multi-Unit Mortgage, and Working Families Programs, provide that funds may be transferred to the General Fund for the purpose of paying reasonable and necessary program expenses.

(m) *Cash and Cash Equivalents*

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and investments with a maturity of three months or less.

(n) *Use of Estimates*

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) *Net Assets*

The Authority's resources are classified for accounting and financial reporting purposes into the following net asset categories:

- *Invested in Capital Assets* – resources resulting from capital acquisition, net of accumulated depreciation.
- *Restricted by Bond Indenture* – net assets subject to externally imposed stipulations as to use. These net assets are restricted to use for the purposes of the Authority's loan programs projects.
- *Unrestricted* – net assets which are available for use of the System.
- *Restricted by Funding Source* – net assets subject to externally imposed stipulations as to use. These net assets are restricted for use for the purposes of certain loan programs.

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(p) *Use of Restricted and Unrestricted Resources*

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

(q) *Reclassifications*

Certain reclassifications have been made to the 2003 financial statements and disclosures to conform to the current year presentation.

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December 31, 2004 and 2003

(3) Restricted Cash and Restricted Investments

The Trust Indentures between the Authority and the Program Trustee established special accounts for the segregation of assets and restriction of the use of bond proceeds and certain other funds received. As of December 31, 2004 and 2003, the assets of all accounts equaled or exceeded the requirements as established by the Indentures. Such assets are restricted for the following purposes:

	December 31, 2004					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	December 31, 2003 total
Refundable Reservation Fee Escrow Accounts	\$ 662,698	—	—	—	—	723,973
Loan or Bond Proceeds Accounts – Payment of issuance costs and purchase of qualified mortgage loans	—	217,140,515	—	—	348,882	209,473,079
Revenue Accounts – Deposit of Program revenues for debt service payments and Program expense disbursements	—	68,294,365	1,202,097	346,404	1,770	77,275,727
Mortgage Reserve Accounts – Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement	27,391	2,293,775	—	—	—	2,334,303
Debt Service Reserve Accounts – Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds	—	23,375,181	3,197,599	—	—	26,720,246
Loan Loss Escrow Account – Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased	4,513	—	—	—	—	6,746
ADFA investment	1,225,741	—	—	—	—	1,223,264
Draw downs on line of credit	50,625,000	—	—	—	—	53,670,000
Federal programs funds	1,552,059	—	—	—	—	927,605
	<u>\$ 54,097,402</u>	<u>311,103,836</u>	<u>4,399,696</u>	<u>346,404</u>	<u>350,652</u>	<u>372,354,943</u>

(Continued)

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December 31, 2004 and 2003

	December 31, 2003					
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Refundable Reservation Fee Escrow Accounts	\$ 723,973	—	—	—	—	723,973
Loan or Bond Proceeds Accounts – Payment of issuance costs and purchase of qualified mortgage loans	—	209,162,028	—	—	311,051	209,473,079
Revenue Accounts – Deposit of Program revenues for debt service payments and Program expense disbursements	—	73,302,774	3,911,222	29,491	32,240	77,275,727
Mortgage Reserve Accounts – Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement	31,596	2,302,707	—	—	—	2,334,303
Debt Service Reserve Accounts – Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds	—	23,590,857	3,129,389	—	—	26,720,246
Loan Loss Escrow Account – Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased	6,746	—	—	—	—	6,746
ADFA investment	1,223,264	—	—	—	—	1,223,264
Draw downs on line of credit	53,670,000	—	—	—	—	53,670,000
Federal programs funds	927,605	—	—	—	—	927,605
	\$ 56,583,184	308,358,366	7,040,611	29,491	343,291	372,354,943

(Continued)

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(4) Cash and Investments

A summary of cash and investments as of December 31, 2004 and 2003 follows:

	2004		2003	
	Fair value	Cost	Fair value	Cost
Cash, including money market funds	\$ 32,669,968	32,669,968	44,519,572	44,519,572
Certificates of deposit	800,000	800,000	800,000	800,000
U.S. Treasury Bonds and Notes	13,778,329	10,804,493	13,714,307	10,551,410
Federal agency obligations	84,612,409	84,911,761	79,500,194	78,854,285
Guaranteed investment contracts and other	297,747,732	297,747,732	288,052,998	288,052,998
	<u>\$ 429,608,438</u>	<u>426,933,954</u>	<u>426,587,071</u>	<u>422,778,265</u>

Investment Policy

General

Indiana Code 5-20-1 authorizes the Authority to invest in obligations of the state, the United States, or their agencies or instrumentalities and such other obligors as may be permitted under the terms of any resolution authorizing the issuance of the Authority's obligations.

Indentures

The Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 2004, all investments held by the Authority were in compliance with the requirements of the Indentures.

Investment Type and Interest Rate Risk Disclosure

As of December 31, 2004, the Authority had the following investments and maturities (amounts are in thousands):

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 – 5	6 – 10	More than 10
U.S. treasuries	\$ 13,778	248	242	3,222	10,066
U.S. agencies	84,613	13,730	69,026	606	1,251
Guaranteed investment contracts and other	297,748	267,384	—	—	30,364
Total	<u>\$ 396,139</u>	<u>281,362</u>	<u>69,268</u>	<u>3,828</u>	<u>41,681</u>

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Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Authority's \$430 million in investments, \$6 million includes bank balances that are not collateralized or insured but are held by the Authority's banks at December 31, 2004.

Credit Risk Disclosure

The following table (in thousands of dollars) provides information on the credit ratings associated with the Authority's investments in debt securities, excluding obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government at December 31, 2004:

	S&P	Fitch	Moody's	Fair value
U.S. Agency bonds	AAA	AAA	Aaa	\$ 84,613
Guaranteed investment contracts	unrated	unrated	unrated	297,748
Total rated investments				<u>\$ 382,361</u>

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. The following table shows investments in issuers that represent 5 percent or more of total investments at December 31, 2004:

Issuer	Percent of total investments
AIG Matched Funding Corp GIC	29.59%
XL Asset Funding Company LLC GIC	12.78
Palas Capital Corp GIC	12.77
Grand Central GIC	11.13
FHLB	9.07
FNMA	5.58

(5) Mortgage Loans Receivable

The Single Family Mortgage Program requires that mortgage loans shall be made to borrowers whose adjusted family income does not exceed 125% of the median income for the borrower's geographic area. At least 40% of the mortgage loans purchased by the Authority must be loans to borrowers whose income is below 80% of the median income for the borrower's geographic area. In addition, Section 103A of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower.

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The Single Family Mortgage Program Bond Trust Indenture requires that all mortgage loans be insured by the FHA, VA or, if the loan to value ratio is greater than 80%, by an approved private mortgage insurer.

The Indenture also requires pool insurance ranging from 10% to 25% of the initial principal amount of mortgage loans to be purchased. The Authority has obtained mortgage pool insurance covering any potential net losses on all mortgage loans financed from the proceeds of the 1980 through 1987 Single Family Mortgage Program bonds.

The proceeds of the 1992 through 2004 Single Family and Working Family bonds were used to purchase GNMA and FNMA certificates collateralized by mortgage loans approved under the guidelines of the Single Family Mortgage Program.

All of the mortgages in the Multi-Unit Mortgage Program Fund except Cumberland Crossing are insured by the FHA. The mortgages are insured under the FHA 221 (d) (4) program. The mortgages in the Cumberland Crossing Series are secured by two letters of credit.

Mortgage loans which collateralize the FNMA certificates purchased by the Authority under the First Home Mortgage Program requires that the loans be made to first-time home owners and meet the standard requirements for FNMA underwritten mortgages, as well as U.S. Department of Housing and Urban Development (HUD) guidelines.

The financing periods of the mortgage loans financed through the Single Family, First Home, and Working Families Mortgage Programs vary in duration from twenty-five to thirty years (principally thirty years). The financing rates at December 31, 2004, are as follows:

<u>Single Family Mortgage Program</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
1985 Series B	8.190% to 13.880%	
1987 Series C	8.950% to 9.470%	
1992 Series A	6.250% to 13.875%	5.665% to 6.900%
1995 Series A	7.440% to 7.450%	6.935% to 6.950%
1995 Series B	6.000% to 6.750%	6.245%
1995 Series C	6.650% to 10.700%	6.135% to 6.150%
1996 Series A	7.150% to 7.210%	6.625% to 6.650%
1996 Series D	6.250% to 9.940%	5.750% to 6.650%
1997 Series A	6.880% to 8.500%	6.295% to 6.400%
1997 Series B	6.000% to 7.375%	5.415% to 6.875%
1997 Series C	6.250% to 7.270%	5.750% to 6.760%
1997 Series D	6.875% to 7.250%	6.250% to 6.700%
1998 Series A	6.000% to 7.500%	5.500% to 7.000%
1998 Series B	6.500% to 7.500%	5.915% to 7.000%
1998 Series C	6.000% to 7.500%	5.415% to 7.000%
1998 Series D	6.000% to 8.900%	5.415% to 6.250%
1999 Series A	6.000% to 7.750%	5.415% to 7.250%
1999 Series X	6.000% to 8.900%	5.415% to 8.400%
1999 Series Y	6.000% to 8.900%	5.415% to 8.400%

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<u>Single Family Mortgage Program</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
1999 Series Z	6.000% to 7.750%	5.415% to 7.250%
2000 Series A	6.500% to 8.000%	6.000% to 7.500%
2000 Series B	6.000% to 8.350%	5.500% to 7.850%
2000 Series C	6.500% to 8.350%	5.915% to 7.850%
2000 Series D	6.250% to 8.500%	5.665% to 8.040%
2001 Series A	6.500% to 8.000%	5.915% to 7.415%
2001 Series B	6.250% to 7.500%	5.665% to 7.000%
2001 Series C	6.250% to 6.500%	5.665% to 6.000%
2002 Series A	6.000% to 7.250%	5.500% to 6.750%
2002 Series B	6.250% to 7.500%	5.665% to 6.915%
2002 Series C	5.750% to 6.500%	5.250% to 5.915%
2002 Series D	5.500% to 6.500%	5.000% to 6.000%
2003 Series A	5.250% to 6.250%	4.750% to 5.750%
2003 Series B	5.250% to 6.250%	4.750% to 5.750%
2003 Series C	5.500% to 6.000%	5.000% to 5.250%
2003 Series D	5.150% to 6.000%	4.915% to 5.415%
2004 Series A	5.150% to 6.000%	4.565% to 5.500%
2004 Series B	5.750% to 6.000%	5.165% to 5.415%
<u>First Home Program</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
1994 Series A	6.90%	6.28%
1994 Series B	6.75%	6.13%
1994 Series C	6.65%	6.03%
1994 Series D	6.65 to 6.80%	6.025 to 6.175%
<u>Working Families Program Fund</u>	<u>Mortgage rate</u>	<u>Certificate rate</u>
1994 Series D	7.380% to 7.480%	6.855% to 6.88%
1996 Series B	7.480%	6.88%

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GNMA and FNMA certificates, which are included in the mortgage loan receivable balances are presented in the statement of net assets at fair value in accordance with the requirements of GASB Statement No. 31. All other loans are carried at cost. The table below summarizes the carrying value and cost of mortgage loans receivable:

2004		
	<u>Carrying value</u>	<u>Cost</u>
General Fund	\$ 1,660,854	1,660,854
Single Family Mortgage Program Fund	717,294,926	700,751,521
Multi-Unit Mortgage Program Fund	11,108,915	11,108,915
First Home Mortgage Program Fund	4,316,503	4,077,897
Working Families Program Fund	10,872,456	10,292,621
Total	<u>\$ 745,253,654</u>	<u>727,891,808</u>

2003		
	<u>Carrying value</u>	<u>Cost</u>
General Fund	\$ 2,079,320	2,079,320
Single Family Mortgage Program Fund	707,232,955	684,917,614
Multi-Unit Mortgage Program Fund	13,710,168	13,710,168
First Home Mortgage Program Fund	6,037,800	5,720,899
Working Families Program Fund	16,157,288	15,241,503
Total	<u>\$ 745,217,531</u>	<u>721,669,504</u>

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(6) Bonds Payable

Bonds payable at December 31, 2004 and 2003 consist of (dollars in thousands):

Single Family Mortgage Program Fund	Original amount	Balance	
		2004	2003
1992 A Refunding:			
Serial bonds (6.35%), due 2002	\$ 17,740	—	—
Term bonds (6.60%), due 2005	8,775	1,015	2,945
Term bonds (6.75%), due 2009	16,885	9,920	9,920
Term bonds (6.80%), due 2016	38,745	24,725	24,725
	<u>82,145</u>	<u>35,660</u>	<u>37,590</u>
1995 Series A:			
Serial bonds (5.60% to 6.00%), due 2004 – 2008	7,095	560	1,030
Term bonds (6.45%), due 2014	5,075	1,085	1,625
Term bonds (6.25%), due 2016	4,230	905	1,350
Term bonds (6.10%), due 2025	6,000	—	—
Term bonds (6.60%), due 2026	12,600	2,695	4,035
	<u>35,000</u>	<u>5,245</u>	<u>8,040</u>
1995 Series B:			
Serial bonds (5.30% to 5.75%), due 2004 – 2008	12,725	810	1,585
Term bonds (6.125%), due 2014	8,285	1,465	2,265
Term bonds (6.15%), due 2017	3,825	670	1,040
Term bonds (6.30%), due 2019	3,440	605	935
Term bonds (6.30%), due 2022	3,900	695	1,070
Term bonds (6.30%), due 2027	9,760	1,725	2,660
	<u>41,935</u>	<u>5,970</u>	<u>9,555</u>
1995 Series C:			
Serial bonds (5.10% to 5.55%), due 2004 – 2008	10,500	1,350	2,035
Term bonds (5.25%), due 2012	8,680	—	—
Term bonds (5.95%), due 2015	10,475	4,615	5,675
Term bonds (5.80%), due 2025	14,885	—	625
Term bonds (6.15%), due 2026	15,460	6,815	8,380
	<u>60,000</u>	<u>12,780</u>	<u>16,715</u>
1996 Series A:			
Serial bonds (5.55% to 6.05%), due 2004 – 2010	7,625	700	1,380
Term bonds (5.95%), due 2013	2,450	550	940
Term bonds (6.25%), due 2017	4,965	1,110	1,900
Term bonds (5.55%), due 2020	4,960	—	—
Term bonds (6.25%), due 2028	15,000	3,360	5,745
	<u>35,000</u>	<u>5,720</u>	<u>9,965</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
1996 Series D:			
Serial bonds (5.15% to 5.55%), due 2004 – 2008	8,525	745	1,335
Term bonds (6.05%), due 2015	6,890	1,970	2,790
Term bonds (6.35%), due 2021	10,015	2,850	4,035
Term bonds (6.35%), due 2025	8,710	2,475	3,510
Term bonds (5.70%), due 2028	7,045	—	110
	<u>41,185</u>	<u>8,040</u>	<u>11,780</u>
1997 Series A-1:			
Term bonds (5.10%), due 2016	8,870	3,120	4,015
	<u>8,870</u>	<u>3,120</u>	<u>4,015</u>
1997 Series A-2:			
Serial bonds (5.00% to 5.40%), due 2004 – 2008	7,115	745	1,425
Term bonds (6.00%), due 2019	3,710	870	1,455
Term bonds (6.10%), due 2022	4,765	1,110	1,855
Term bonds (6.10%), due 2028	10,000	2,310	3,870
	<u>25,590</u>	<u>5,035</u>	<u>8,605</u>
1997 Series B-2:			
Term bonds (6.00%), due 2016	3,025	780	1,245
Term bonds (6.125%), due 2026	11,890	3,060	4,875
Term bonds (6.15%), due 2029	5,085	1,315	2,085
	<u>20,000</u>	<u>5,155</u>	<u>8,205</u>
1997 Series C-1:			
Taxable term bond (floating rate), due 2027	8,940	—	—
	<u>8,940</u>	<u>—</u>	<u>—</u>
1997 Series C-2:			
Term bonds (5.70%), due 2016	1,905	580	940
	<u>1,905</u>	<u>580</u>	<u>940</u>
1997 Series C-3:			
Serial bonds (5.105% to 5.25%), due 2004 – 2006	1,060	80	215
Term bonds (5.85%), due 2014	4,460	1,355	2,210
Term bonds (5.95%), due 2028	18,635	5,655	9,230
	<u>24,155</u>	<u>7,090</u>	<u>11,655</u>
1997 Series D-1:			
Taxable term bonds (6.94%), due 2019	14,680	—	—
	<u>14,680</u>	<u>—</u>	<u>—</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
1997 Series D-2:			
Term bonds (5.85%), due 2020	960	650	885
Term bonds (5.875%), due 2024	6,450	4,390	5,945
Term bonds (5.90%), due 2026	4,840	3,295	4,460
Term bonds (5.90%), due 2030	8,070	5,495	7,440
	<u>20,320</u>	<u>13,830</u>	<u>18,730</u>
1998 Series A-1:			
Taxable term bonds (6.18%), due 2029	7,035	1,745	2,595
	<u>7,035</u>	<u>1,745</u>	<u>2,595</u>
1998 Series A-2:			
Serial bonds (4.85% to 4.95%), due 2010 – 2011	875	440	625
Term bonds (5.15%), due 2017	5,625	2,825	4,035
	<u>6,500</u>	<u>3,265</u>	<u>4,660</u>
1998 Series A-3:			
Serial bonds (4.50% to 5.05%), due 2004 – 2010	4,665	1,465	2,370
Term bonds (5.375%), due 2022	7,000	3,520	5,025
Term bonds (5.375%), due 2029	9,800	4,925	7,035
	<u>21,465</u>	<u>9,910</u>	<u>14,430</u>
1998 Series B-1:			
Taxable term bonds (6.45%), due 2029	15,000	5,800	7,405
	<u>15,000</u>	<u>5,800</u>	<u>7,405</u>
1998 Series B-2:			
Term bonds (5.40%), due 2016	4,285	1,265	2,055
	<u>4,285</u>	<u>1,265</u>	<u>2,055</u>
1998 Series B-3:			
Serial bonds (4.80% to 5.20%), due 2004– 2010	3,035	600	1,075
Term bonds (5.55%), due 2024	8,860	2,610	4,245
Term bonds (5.55%), due 2030	10,000	2,920	4,745
	<u>21,895</u>	<u>6,130</u>	<u>10,065</u>
1998 Series C-1:			
Taxable term bonds (6.07%), due 2025	7,300	1,170	2,185
	<u>7,300</u>	<u>1,170</u>	<u>2,185</u>
1998 Series C-2:			
Term bonds (5.25%), due 2017	3,710	1,620	2,130
	<u>3,710</u>	<u>1,620</u>	<u>2,130</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
1998 Series C-3:			
Serial bonds (4.45% to 5.15%), due 2004– 2011	4,730	1,475	2,100
Term bonds (5.30%), due 2013	1,655	730	955
Term bonds (5.45%), due 2028	270	120	160
Term bonds (4.75%), due 2028	5,000	1,270	1,980
Term bonds (5.45%), due 2029	13,425	5,895	7,740
	<u>25,080</u>	<u>9,490</u>	<u>12,935</u>
1998 Series D-1:			
Term bonds (5.15%), due 2017	3,710	335	1,650
	<u>3,710</u>	<u>335</u>	<u>1,650</u>
1998 Series D-2:			
Serial bonds (4.00% to 4.90%), due 2004 – 2010	3,720	225	1,245
Term bonds (5.25%), due 2028	10,000	10,000	10,000
Term bonds (5.35%), due 2028	145	5	35
Term bonds (4.625%), due 2030	13,000	3,365	5,010
Term bonds (5.35%), due 2030	4,195	385	1,875
	<u>31,060</u>	<u>13,980</u>	<u>18,165</u>
1999 Series A-1:			
Term bonds (5.05%), due 2017	4,280	1,475	2,345
	<u>4,280</u>	<u>1,475</u>	<u>2,345</u>
1999 Series A-2:			
Serial bonds (4.00% to 5.00%), due 2004 – 2011	5,035	1,245	2,215
Term bonds (5.25%), due 2029	235	80	130
Term bonds (4.70%), due 2029	8,000	2,200	3,565
Term bonds (5.25%), due 2030	17,450	6,010	9,545
	<u>30,720</u>	<u>9,535</u>	<u>15,455</u>
1999 Series X-1:			
Taxable PAC bonds (5.96%), due 2030	10,000	3,890	5,375
	<u>10,000</u>	<u>3,890</u>	<u>5,375</u>
1999 Series X-2:			
Serial bonds (4.10% to 5.00%), due 2004 – 2012	2,725	315	665
Term bonds (5.15%), due 2019	4,900	660	1,320
Term bonds (4.55%), due 2030	9,000	2,760	3,695
Term bonds (5.30%), due 2031	15,035	2,015	4,035
	<u>31,660</u>	<u>5,750</u>	<u>9,715</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
1999 Series Y-1:			
Taxable PAC bonds (6.86%), due 2031	15,000	6,780	8,775
	15,000	6,780	8,775
1999 Series Y-2:			
Term bonds (5.35%), due 2013	1,290	195	330
Term bonds (5.50%), due 2019	4,655	715	1,210
	5,945	910	1,540
1999 Series Y-3:			
Serial bonds (4.55% to 5.35%), due 2004 – 2012	2,955	420	730
PAC bonds (5.05%), due 2030	7,650	2,405	3,515
Term bonds (5.65%), due 2031	14,635	2,245	3,795
	25,240	5,070	8,040
1999 Series Z-1:			
Taxable PAC bonds (7.09%), due 2029	13,000	5,965	7,840
	13,000	5,965	7,840
1999 Series Z-2:			
Term bonds (5.55%), due 2013	545	—	30
	545	—	30
1999 Series Z-3:			
Serial bonds (4.75% to 5.70%), due 2004 – 2012	2,710	—	1,060
Term bonds (5.95%), due 2019	3,475	—	190
Term bonds (5.65%), due 2030	5,040	2,610	3,700
Term bonds (6.05%), due 2030	13,165	—	725
Term bonds (6.05%), due 2031	1,780	—	95
	26,170	2,610	5,770
2000 Series A-1:			
Taxable PAC bonds (7.75%), due 2030	15,000	5,850	10,655
	15,000	5,850	10,655
2000 Series A-2:			
Term bonds (6.25%), due 2019	4,430	—	—
	4,430	—	—
2000 Series A-3:			
Serial bonds (5.00% to 5.80%), due 2003 – 2010	1,930	—	—
Term bonds (6.45%), due 2030	13,220	—	—
PAC bonds (5.90%), due 2030	5,420	—	—
	20,570	—	—

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Bonds payable, continued	Original amount	Balance	
		2004	2003
2000 Series B-1:			
Taxable PAC bonds (7.57%), due 2030	15,000	7,440	9,870
	15,000	7,440	9,870
2000 Series B-2:			
Serial bonds (5.10% to 5.65%), due 2004 – 2012	4,815	50	590
Terms bonds (6.00%), due 2019	5,880	80	825
Terms bonds (6.10%), due 2030	15,000	195	2,105
Terms bonds (6.10%), due 2031	4,700	60	635
PAC bonds (5.55%), due 2031	10,950	5,270	6,260
	41,345	5,655	10,415
2000 Series C-1:			
Taxable PAC bonds (7.85%), due 2031	15,000	8,715	11,125
	15,000	8,715	11,125
2000 Series C-2:			
Term bonds (5.875%), due 2017	9,440	305	1,050
	9,440	305	1,050
2000 Series C-3:			
Serial bonds (5.25% to 5.60%), due 2004 – 2009	2,385	50	205
Term bonds (5.45%), due 2009	2,615	45	210
Term bonds (6.125%), due 2019	1,725	55	190
PAC bonds (5.65%), due 2030	11,000	5,440	6,610
Term bonds (6.30%), due 2030	5,000	160	555
Term bonds (6.30%), due 2031	10,265	335	1,145
	32,990	6,085	8,915
2000 Series D-1:			
Taxable PAC bonds (7.34%), due 2030	15,000	9,045	11,520
	15,000	9,045	11,520
2000 Series D-2:			
Serial bonds (4.80% to 5.15%), due 2007 – 2012	3,700	755	1,945
Term bonds (5.625%), due 2017	5,795	985	1,340
	9,495	1,740	3,285
2000 Series D-3:			
Serial bonds (4.90% to 5.05%), due 2004 – 2007	2,355	215	750
Term bonds (5.95%), due 2026	8,160	1,385	1,890
PAC bonds (5.35%), due 2031	10,000	5,300	6,270
Term bonds (5.95%), due 2032	9,790	1,655	2,265
	30,305	8,555	11,175

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Bonds payable, continued	Original amount	Balance	
		2004	2003
2001 Series A-1:			
Term bonds (5.35%), due 2019	2,045	900	1,290
	<u>2,045</u>	<u>900</u>	<u>1,290</u>
2001 Series A-2:			
Serial bonds (4.00% to 5.15%), due 2004 – 2013	5,895	2,355	3,650
Term bonds (5.60%), due 2021	4,085	1,800	2,580
Term bonds (5.70%), due 2031	7,695	3,385	4,855
PAC bonds (4.80%), due 2031	7,600	5,065	6,210
Term bonds (5.70%), due 2032	7,680	3,375	4,845
	<u>32,955</u>	<u>15,980</u>	<u>22,140</u>
2001 Series B-1:			
Taxable PAC bonds (6.15%), due 2033	10,000	5,870	7,980
	<u>10,000</u>	<u>5,870</u>	<u>7,980</u>
2001 Series B-2:			
Serial bonds (4.15% to 4.70%), due 2007 – 2012	2,465	1,375	1,860
	<u>2,465</u>	<u>1,375</u>	<u>1,860</u>
2001 Series B-3:			
Serial bonds (3.80% to 4.30%), due 2004 – 2007	1,335	570	1,000
Term bonds (5.45%), due 2020	2,500	1,395	1,880
Term bonds (5.45%), due 2021	4,480	2,500	3,375
Term bonds (5.55%), due 2032	8,220	4,585	6,185
Term bonds (5.55%), due 2033	11,000	6,140	8,285
	<u>27,535</u>	<u>15,190</u>	<u>20,725</u>
2001 Series C:			
Serial bonds (3.25% to 4.75%), due 2004 – 2012	6,965	3,320	4,915
Term bonds (5.25%), due 2021	8,090	4,765	6,290
PAC bonds (4.30%), due 2031	8,785	6,575	7,810
Term bonds (5.375%), due 2031	16,160	9,525	12,570
	<u>40,000</u>	<u>24,185</u>	<u>31,585</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
2002 Series A:			
Serial bonds (2.55% to 5.00%), due 2004 – 2014	7,510	3,925	6,160
Term bonds (5.30%), due 2022	6,340	3,235	5,180
Term bonds (5.35%), due 2027	5,845	5,845	5,845
Term bonds (5.45%), due 2032	5,000	2,545	4,080
Term bonds (5.45%), due 2033	5,305	2,705	4,325
PAC bonds (4.50%), due 2032	10,000	8,135	9,425
	<u>40,000</u>	<u>26,390</u>	<u>35,015</u>
2002 Series B:			
Serial bonds (2.80% to 4.70%), due 2004 – 2012	6,930	3,970	5,840
Term bonds (5.45%), due 2021	3,000	2,015	2,660
Term bonds (5.45%), due 2022	5,435	3,655	4,815
Term bonds (5.55%), due 2031	4,000	2,695	3,545
Term bonds (5.55%), due 2032	10,310	6,940	9,140
PAC bonds (4.50%), due 2031	10,325	8,805	9,875
	<u>40,000</u>	<u>28,080</u>	<u>35,875</u>
2002 Series C-1:			
Serial bonds (4.00% to 4.30%) due 2010 – 2013	2,235	1,640	2,090
	<u>2,235</u>	<u>1,640</u>	<u>2,090</u>
2002 Series C.-2:			
Serial bonds (2.40% to 4.85%), due 2004 – 2010	6,410	4,250	6,000
Term bonds (5.25%), due 2023	7,815	5,635	7,195
Term bonds (5.40%), due 2029	9,625	6,930	8,860
PAC bonds (4.15%), due 2032	11,860	10,310	11,425
Term bonds (5.40%), due 2033	7,745	5,585	7,130
	<u>43,455</u>	<u>32,710</u>	<u>40,610</u>
2002 Series D-1:			
Taxable term bond (floating rate), due 2032	5,000	5,000	5,000
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
2002 Series D-2:			
Serial bonds (2.05% to 4.05%), due 2004 – 2012	9,105	6,770	8,555
Term bonds (4.85%), due 2022	5,900	5,110	5,815
Term bonds (4.85%), due 2022	2,500	2,165	2,465
Term bonds (4.95%), due 2032	5,560	4,815	5,480
PAC bonds (3.60%), due 2031	11,435	10,360	11,275
Term bonds (4.95%), due 2032	5,500	4,760	5,420
	<u>40,000</u>	<u>33,980</u>	<u>39,010</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
2003 Series A:			
Serial bonds (1.90% to 4.35%), due 2005 – 2013	7,185	6,645	7,185
Term bonds (4.90%), due 2022	4,945	4,485	4,945
Term bonds (4.90%), due 2022	3,000	2,720	3,000
Term bonds (4.95%), due 2034	17,570	15,925	17,570
PAC bonds (4.70%), due 2033	12,250	11,550	12,200
	<u>44,950</u>	<u>41,325</u>	<u>44,900</u>
2003 Series B:			
Serial bonds (2.90% to 3.90%), due 2010 – 2016	3,805	3,555	3,805
Term bonds (4.25%), due 2024	8,015	7,490	8,015
Term bonds (4.40%), due 2033	7,070	6,610	7,070
Term bonds (4.40%), due 2034	7,000	6,545	7,000
PAC bonds (4.00%), due 2033	19,060	18,270	19,060
	<u>44,950</u>	<u>42,470</u>	<u>44,950</u>
2003 Series C-1:			
Serial bonds (4.15% to 4.45%), due 2010 – 2016	3,785	3,475	3,785
	<u>3,785</u>	<u>3,475</u>	<u>3,785</u>
2003 Series C-2:			
Serial bonds (1.80% to 4.35%), due 2005 – 2013	3,155	2,890	3,155
Term bonds (5.10%), due 2023	3,810	3,495	3,810
Term bonds (5.10%), due 2024	3,810	3,495	3,810
Term bonds (5.20%), due 2033	7,605	6,975	7,605
Term bonds (5.20%), due 2034	7,605	6,975	7,605
PAC bonds (5.00%), due 2034	15,180	14,770	15,180
	<u>41,165</u>	<u>38,600</u>	<u>41,165</u>
2003 Series D-1:			
Serial bonds (3.30% to 4.20%), due 2009 – 2014	5,355	5,325	5,355
	<u>5,355</u>	<u>5,325</u>	<u>5,355</u>
2003 Series D-2:			
Serial bonds (1.80% to 3.40%), due 2005 – 2009	4,305	4,275	4,305
Term bonds (4.85%), due 2022	5,715	5,680	5,715
Term bonds (4.85%), due 2023	5,380	5,345	5,380
Term bonds (4.90%), due 2028	5,305	5,270	5,305
Term bonds (4.90%), due 2029	5,400	5,365	5,400
PAC bonds (5.25), due 2033	10,500	10,115	10,500
Term bonds (4.95%), due 2033	8,205	8,155	8,205
	<u>44,810</u>	<u>44,205</u>	<u>44,810</u>
2003 Series E-1:			
Term bonds (1.20%), due 2005	12,990	—	12,990
	<u>12,990</u>	<u>—</u>	<u>12,990</u>
2003 Series E-2:			
Term bonds (1.25%), due 2005	93,765	—	93,765
	<u>93,765</u>	<u>—</u>	<u>93,765</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
2004 Series A-1:			
Serial bonds (3.50% to 3.90%), due 2013 – 2017	2,920	2,920	—
Term bonds (4.20%), due 2019	1,360	1,360	—
	<u>4,280</u>	<u>4,280</u>	<u>—</u>
2004 Series A-2:			
Serial bonds (1.40% to 3.80%), due 2005 – 2014	9,210	9,210	—
Term bonds (4.45%), due 2024	4,265	4,265	—
Term bonds (4.45%), due 2024	4,265	4,265	—
PAC bonds (5.00%), due 2033	9,630	9,560	—
Term bonds (4.60%), due 2033	9,175	9,175	—
Term bonds (4.60%), due 2034	9,175	9,175	—
	<u>45,720</u>	<u>45,650</u>	<u>—</u>
2004 Series B-1:			
Serial bonds (4.40% to 4.70%), due 2013 – 2017	4,275	4,275	—
	<u>4,275</u>	<u>4,275</u>	<u>—</u>
2004 Series B-2:			
Serial bonds (2.40% to 4.75%), due 2005 – 2013	2,605	2,605	—
Term bonds (4.30%), due 2013	4,365	4,365	—
Term bonds (4.30%), due 2014	4,370	4,370	—
PAC bonds (5.25%), due 2034	18,880	18,810	—
	<u>30,220</u>	<u>30,150</u>	<u>—</u>
2004 Series B-2A:			
Term bonds (5.15%), due 2024	6,965	6,965	—
Term bonds (5.15%), due 2025	6,965	6,965	—
Term bonds (5.20%), due 2028	4,930	4,930	—
Term bonds (5.20%), due 2028	4,925	4,925	—
Term bonds (5.30%), due 2034	10,860	10,860	—
Term bonds (5.30%), due 2035	10,860	10,860	—
	<u>45,505</u>	<u>45,505</u>	<u>—</u>
2004 Series C-1:			
Serial bonds (3.80% to 4.10%), due 2013 – 2017	5,200	5,200	—
Term bonds (4.35%), due 2019	1,295	1,295	—
	<u>6,495</u>	<u>6,495</u>	<u>—</u>
2004 Series C-2:			
Serial bonds (2.20% to 4.10%), due 2005 -2013	8,140	8,140	—
Term bonds (4.70%), due 2024	7,720	7,720	—
Term bonds (4.85%), due 2029	7,065	7,065	—
PAC bonds (5.00%), due 2034	9,680	9,680	—
Term bonds (4.90%), due 2034	10,900	10,900	—
	<u>43,505</u>	<u>43,505</u>	<u>—</u>

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Bonds payable, continued	Original amount	Balance	
		2004	2003
2004 Series D-1:			
Term bonds (2.25%), due 2019	12,445	12,445	—
	12,445	12,445	—
2004 Series D-2:			
Term bonds (2.30%), due 2035	102,150	102,150	—
	102,150	102,150	—
	<u>\$ 1,809,955</u>	<u>919,465</u>	<u>901,865</u>

Multi-Unit Mortgage Program Fund	Original amount	Balance	
		2004	2003
1993 Series A:			
Serial Bonds (6.20% to 6.30%), due 2002 – 2003	2,185	—	—
Term bonds (6.60%), due 2011	2,075	465	2,075
Term bonds (6.75%), due 2021	4,665	1,155	4,665
	8,925	1,620	6,740
1997 Series M-A (Cumberland Crossing):			
Term bonds (adjustable rate), due 2028	9,200	8,756	8,844
	9,200	8,756	8,844
1997 Series M-B (Cumberland Crossing):			
Term bonds (adjustable rate), due 2028	800	761	769
	800	761	769
	<u>\$ 18,925</u>	<u>11,137</u>	<u>16,353</u>

First Home Mortgage Program Fund	Original amount	Balance	
		2004	2003
1994 Series A:			
Serial bonds (5.46% to 5.81%), due 2004 – 2008	\$ 1,165	115	200
Term bonds (5.96%), due 2014	1,015	260	365
Term bonds (6.06%), due 2020	1,430	355	515
Term bonds (6.11%), due 2025	1,430	330	475
	5,040	1,060	1,555
1994 Series B:			
Serial bonds (5.28% to 5.68%), due 2004 – 2008	1,165	65	105
Term bonds (5.88%), due 2014	1,015	150	205
Term bonds (5.93%), due 2020	1,430	200	265
Term bonds (5.98%), due 2025	1,430	185	250
	5,040	600	825

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Bonds payable, continued	Original amount	Balance	
		2004	2003
1994 Series C:			
Serial bonds (5.01% to 5.46%), due 2004 – 2008	1,165	120	205
Term bonds (5.71%), due 2014	1,015	280	365
Term bonds (5.81%), due 2020	1,455	360	475
Term bonds (5.86%), due 2025	1,430	340	440
	<u>5,065</u>	<u>1,100</u>	<u>1,485</u>
1994 Series D:			
Serial bonds (5.44% to 5.64%), due 2004 – 2008	1,165	125	185
Term bonds (5.84%), due 2014	1,015	305	365
Term bonds (5.94%), due 2020	1,455	380	460
Term bonds (5.94%), due 2025	1,430	340	410
	<u>5,065</u>	<u>1,150</u>	<u>1,420</u>
	<u>\$ 20,210</u>	<u>3,910</u>	<u>5,285</u>
Working Families Program Fund	Original amount	Balance	
		2004	2003
1994 Series D:			
Term bonds (3.90%), due 1996	\$ 31,265	—	—
Term bonds (5.60%), due 2009	—	—	—
Term bonds (6.35%), due 2017	—	2,810	5,860
	<u>31,265</u>	<u>2,810</u>	<u>5,860</u>
1996 Series B:			
Serial bonds (5.25% to 5.35%), due 2003 – 2004	3,225	—	65
Term bonds (5.80%), due 2020	6,220	—	875
Term bonds (6.45%), due 2025	13,835	3,025	3,895
Term bonds (6.45%), due 2027	7,500	1,630	2,105
	<u>30,780</u>	<u>4,655</u>	<u>6,940</u>
	<u>\$ 62,045</u>	<u>7,465</u>	<u>12,800</u>

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The Single Family, Multi-Unit, First Home and Working Families bonds are special obligations of the Authority. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures. Hunters Run and Cumberland Crossing, two bond series within the Multi-Unit Mortgage Program Fund, are conduit issues. All scheduled, advance and delinquent payments on mortgage loans, mortgage insurance and guaranty proceeds received by the Authority, and the earnings on investments of amounts held under the Bond Trust Indentures are pledged to secure the payment of these three bond series. The two bond series are also secured by a pledge and assignment of the rights and interests of the Authority in the mortgage loans and a pledge of the investment accounts of the program fund and the amounts of which are prescribed by the Trust Indentures.

The 1997 Series D, 1998 Series A, 1998 Series B, 1998 Series C, 1999 Series X, 1999 Series Y, 1999 Series Z, 2000 Series B, 2000 Series C, 2000 Series D, 2001 Series B and 2002 Series D include both taxable and tax-exempt bonds. Taxable bonds were utilized to increase resources for the Authority's mortgage program.

The 2000 Series A includes only taxable bonds.

The 2002 Series D-1 are floating rate bonds. The interest rate is the three-month LIBOR plus .28% (2.84% at December 31, 2004) adjusted on the second business day preceding the beginning of each calendar quarter. The General Fund purchased an interest rate cap to protect the rate from exceeding 7.0%.

The 1997 Series M-A and 1997 Series M-B Bonds have an adjustable rate that is currently remarketed on a weekly basis.

The 2003 Series E bonds were repaid with portions of the proceeds from 2004 C and D.

The Single Family, Multi-Unit, First Home and Working Families bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 103 percent of the principal amount, extraordinary optional redemption at par from unexpended or uncommitted funds, prepayments of mortgage loans and proportionate amounts in certain related accounts or excess revenues. The Authority redeemed \$175,590,000 and \$266,720,000 of bonds in 2004 and 2003, respectively, from prepayments which had been received. The bond redemptions resulted in write-offs of unamortized discount and deferred debt issuance costs related to the redeemed bonds.

The Authority has a line of credit of \$50,625,000 which is due on June 30, 2005. Interest is due on the outstanding borrowings at a variable rate based on LIBOR (2.147% at December 31, 2004).

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The following are the scheduled amounts of principal and interest payments on bond payable obligations in the five years subsequent to December 31, 2004 and thereafter (all amounts in the thousands). The Authority typically has significant prepayments of principal amounts and therefore does not expect to pay out interest payments in their scheduled amounts.

	Single Family Mortgage Program Fund		Multi-Unit Mortgage Program Fund		First Home Program Fund		Working Families Program Fund		Total		Total payments
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$ 14,095	44,351	161	527	120	228	—	478	14,376	45,584	59,960
2006	15,530	43,293	177	519	115	222	—	478	15,822	44,512	60,334
2007	16,325	42,597	189	510	125	215	—	479	16,639	43,801	60,440
2008	17,580	41,823	208	500	140	208	—	479	17,928	43,010	60,938
2009	18,030	40,961	229	490	145	200	130	479	18,534	42,130	60,664
2010-2014	106,770	190,141	1,502	2,252	775	867	1,615	2,137	110,662	195,397	306,059
2014-2019	135,470	159,646	2,356	1,798	1,080	597	1,065	1,605	139,971	163,646	303,617
2020-2024	157,670	122,796	3,216	1,123	1,280	256	2,755	1,165	164,921	125,340	290,261
2025-2029	195,115	75,822	3,099	325	130	4	1,900	187	200,244	76,338	276,582
2030-2034	137,920	28,335	—	—	—	—	—	—	137,920	28,335	166,255
2035-2039	104,960	1,249	—	—	—	—	—	—	104,960	1,249	106,209
Original issue premium	5,352	—	—	—	—	—	—	—	5,352	—	5,352
Original issue discount	(38)	—	(53)	—	—	—	—	—	(91)	—	(91)
Total	\$ 924,779	791,014	11,084	8,044	3,910	2,797	7,465	7,487	947,238	809,342	1,756,580

Summary of long-term debt as of December 31, 2004 (dollars in thousands):

<u>Interest rate ranges</u>	<u>Maturity range</u>	<u>Annual payment range of principal</u>	<u>Amount</u>
1.40% – 7.85%	2005 – 2035	\$13,670 – \$104,960	\$941,977

Changes in Obligations

The following are changes in the obligations of the Authority for the year ended December 31, 2004.

Short-term obligations (in thousands):

	<u>Balance at December 31, 2003</u>	<u>Borrowings</u>	<u>Repayments</u>	<u>Balance at December 31, 2004</u>
Line of credit	\$ 53,670,000	50,625,000	53,670,000	50,625,000

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December 31, 2004 and 2003

Long-term obligations (in thousands):

	Balance at December 31, 2003	Increases	Decreases	Balance at December 31, 2004	Amounts due within one year	Amounts due thereafter
Bonds payable/notes payable \$	936,303	294,595	288,921	941,977	14,376	927,601
Less original discount	(112)	—	(21)	(91)	—	(91)
Add original premium	3,243	2,236	127	5,352	—	5,352
Other liabilities	1,165	229	—	1,394	—	1,394
	<u>\$ 940,599</u>	<u>297,060</u>	<u>289,027</u>	<u>948,632</u>	<u>14,376</u>	<u>934,256</u>

	Balance at December 31, 2002	Increases	Decreases	Balance at December 31, 2003	Amounts due within one year	Amounts due thereafter
Bonds payable/notes payable \$	997,635	291,770	353,102	936,303	12,806	923,497
Less original discount	(131)	—	(19)	(112)	—	(112)
Add original premium	—	3,243	—	3,243	—	3,243
Other liabilities	952	213	—	1,165	—	1,165
	<u>\$ 998,456</u>	<u>295,226</u>	<u>353,083</u>	<u>940,599</u>	<u>12,806</u>	<u>927,793</u>

(7) Commitments

As of December 31, 2004, the Authority had the following commitments:

Lease

Lease expense for 2004 and 2003 was \$364,743 and \$462,071, respectively. The Authority entered into a lease agreement for new office space in February 2003. The new lease requires payments of \$29,464 per month (\$353,568 per year) for the ten-year term of the lease. The move to the new office space was completed in April 2003.

Excess Investment Earnings

In order to preserve the exemption of federal and state income taxation on interest received by the bond holders, each bond issue is subject to certain Internal Revenue Code (IRC) and U.S. Treasury Regulations. Under these regulations, the Authority is required to pay the federal government any excess earnings as defined by IRC Section 148(f) on all nonpurpose investments if such investments were invested at a rate greater than the yield on the bond issue.

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The Authority's liability, included in accounts payable and other liabilities on the combined balance sheet, for excess earnings at December 31, follows:

	<u>2004</u>	<u>2003</u>
Single Family Program Fund	\$ 439,762	590,624
Working Families Program Fund	—	140,430
	<u>\$ 439,762</u>	<u>731,054</u>

Contingency

The Authority serves as a Participating Jurisdiction (PJ) for the HOME Investment Partnerships Program (HOME) monies for the State of Indiana from the U.S. Department of Housing and Urban Development (HUD). The HOME funds are used to develop affordable housing. Properties assisted with HOME money have an affordability period for which they must remain targeted for low-income persons. The affordability period varies depending on the amount of assistance the property received. In 2003, HUD published a policy newsletter that would make PJ's responsible for repaying HOME monies invested in properties that failed to meet their affordability periods, regardless of the circumstances. This policy is contrary to IHFA's understanding of the HOME statute, regulations, and implementation to date. IHFA, along with other recipients of HOME Funds, has asked that HUD reconsider the repayment guidance. Nonetheless, IHFA is making programmatic adjustments to be prepared should HUD continue to pursue implementation of this new repayment policy. No liability has been recorded for any amounts that may be due HUD if the revised policy is enforced.

(8) Retirement Plan

(a) Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF was created and is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

The plan is a contributory defined benefit plan which covers substantially all Authority employees. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions are met, an employee may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the employee's highest five years of employment earning within the 10 years preceding retirement.

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Employees who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the member's age.

Employees have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERF, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, Indiana 46204.

(b) Funding Policy

The Authority contributes the employees' required contribution of 3% of their annual salaries to an annuity savings account that may be withdrawn at any time with interest should an employee terminate employment. The Authority is required by State statute to contribute at an actuarially determined rate. The current rate is 3.8% of annual covered payroll. The contribution requirements of plan members are determined by State statute.

(c) Annual Pension Cost

For the 2004 plan year, the Authority's annual contributions of \$121,960 exceeded the required contribution of \$75,144. For the 2003 and 2002 plan years, the Authority's annual contributions of \$110,140 and \$92,121, respectively, exceeded the required contributions. The PERF funding policy provides for actuarially determined periodic contributions at rates that change so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the June 30, 2004, 2003 and 2002 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases based on PERF experience from 1995 to 2000 for the 2004 valuation and 5.00% per year, attributable to inflation for the 2003 and 2002 valuations; and (c) assumed annual post retirement benefit increases of 2.00%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a closed 30-year period.

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Required Pension Supplementary Information
Schedule of Funding Progress and Employer Contributions
December 31, 2004 and 2003
(Unaudited)

<u>Asset valuation date</u>	<u>(1) Actuarial value of assets</u>	<u>(2) Actuarial accrued liability (AAL) entry age</u>	<u>(2-1) Unfunded (overfunded) AAL (UAAL)</u>	<u>(1/2) Funded ratio</u>	<u>(3) Covered payroll</u>	<u>[(2-1)/3] UAAL as a percentage of covered payroll</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>
June 30, 2004	\$ 1,181,000	1,111,000	(70,000)	106%	\$ 2,226,000	—	75,144	162%
June 30, 2003	994,000	889,000	(105,000)	112	1,989,000	—	94,878	110
June 30, 2002	816,000	841,000	25,000	97	1,745,000	1%	88,674	104